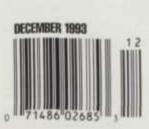
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8	9	10	11	12

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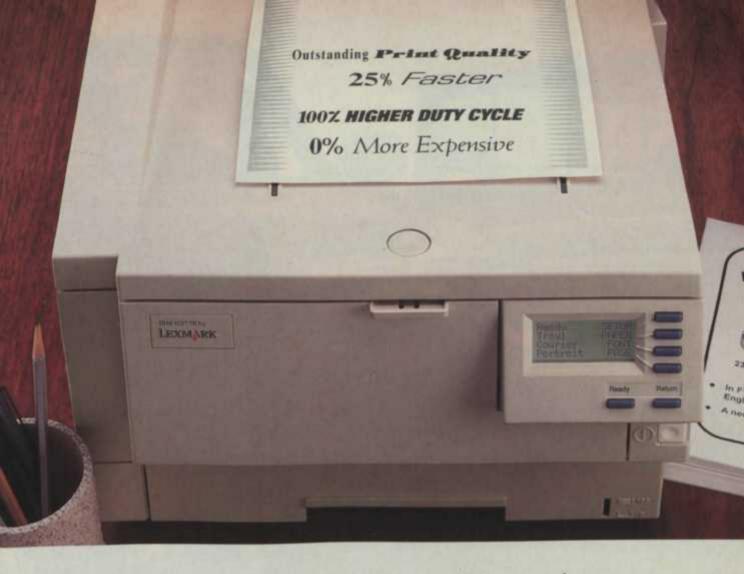
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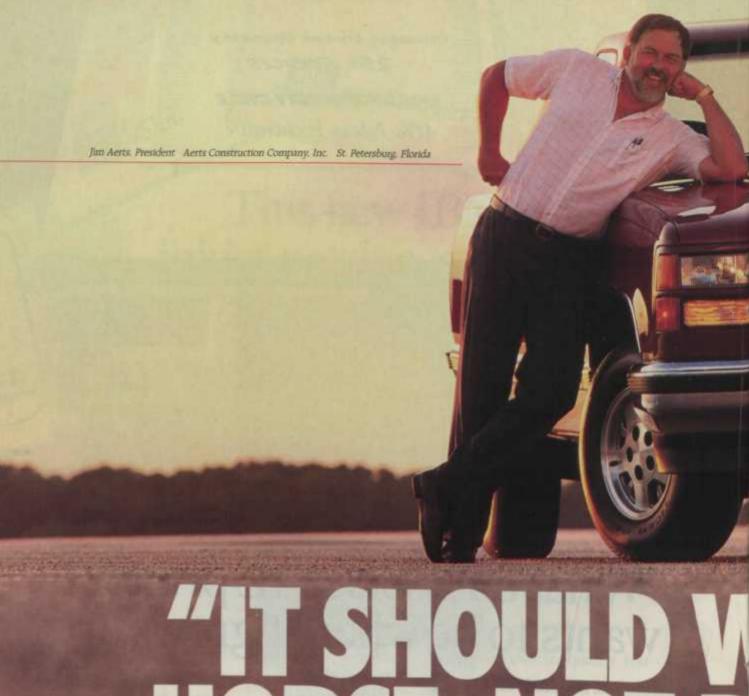
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Nation's Business

Published by U.S. Chamber of Commerce Washington, D.C.



PHOTO SHOW DON

Setting her own work schedule—one of several flexible-management options offered by firms—lets Lisa Cokefair coordinate her hours on the job with those of her husband, Jon, and avoid hiring a baby sitter for Breanna, 2, and Ashley, 4. Cover Story, Page 24.



PHOTO: GETEVE WORT

Discarded lint from a diaper company becomes a sculpture in Sandy Ross' hands. Environment, Page 49.

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Many small firms are structuring the workplace to meet employees' individual needs, and the payback is greater loyalty and productivity that can improve the bottom line.

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Will you be ready if your company comes under scrutiny? Here's how to sharpen your public-relations skills.

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Interactive communications technology is bringing TQM experts and small businesses together.

73 Playing The New 800 Numbers Game

Some companies may find lower prices and higher levels of service now that toll-free 800 phone numbers are portable.

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Your employees who work on the road represent your company at every stop; it pays to keep them happy and in the loop.

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President Clinton has acted to ease regulations on businesses, but business is anxious about long-term trends.

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Linking manufacturer and consumer; civilian futures for women veterans.

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85 Views On Business Ethics

The best deterrent to unethical business conduct is leadership, say respondents to our Where I Stand poll.

WHERE I STAND

84 On Paperwork

Results of this poll on paperwork will be sent to congressional leaders and the administration. VOL. 81, NO. 12

Editor's Note

A Flexible Response To Change

Are home-based employees more productive because they don't have to invest time and effort in commuting and don't get involved in workplace politics and socializing? Or are they less productive because their isolation deprives them of the stimulation and synergy of a team effort?

Those are among the many questions that employers face



when they explore the pluses and minuses of flexible management, an evolving technique in the increasingly complex world of work and the subject of this month's cover story, beginning on Page 24. This article, which covers far more than home-based workers, was written by Special Correspondent Sharon Nelton, who monitors and reports frequently on the changing nature of the work force and how managers are adapting to these changes.

While flex management would not necessarily work for every company, it is a subject that every employer should be aware of and might want to explore for the possibility of some practical applications

now or in the future

DEPARTMENTS

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Competing on the basis of service has paid

off for entrepreneur Bernie Durant.

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Kobest O. Gran

If the highways sometimes start looking like this after you've been on them for many hours, you can appreciate what it's like for full-time drivers. Employers who recognize what these workers go through are the subject of "Treating Drivers Like Customers," this month's entry (Page 56) in our monthly series on business use of motor vehicles.

These articles are written by Contributing Editor Julie Candler, a nationally recognized expert on motor vehicles. She is based in Southfield, Mich., near the center of the U.S. auto industry, and has received numerous awards for her writing. Her monthly articles in Nation's Business offer special insights into the business end of motor vehicles, whether you are operating one van or a fleet of 18-wheelers.

Robert T. Gray Editor

Cover Design: Hans A. Baum

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Nation's Business

Letters

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Safety Programs Helping, **But Reform Still Needed**

Your October cover story, "Taking Charge Of Workers' Comp," did a great job of showing that aggressive safety programs can slash employers' costs. There was, however, too little regard for the potential benefits of workers' compensation reforms. Colorado employers, for instance, have gone two years without a rate increase, and they avoided a proposed 38 percent increase as a result of reforms passed in 1991. In addition, the insurance industry has requested a 5

percent rate decrease effective Jan. 1. Reforms have resulted in a similar request in New Mexico.

Individually, employers can do much to control their workers' compensation costs. Collectively, they can also do much to improve a state's compensation system. James S. Kemper III Executive Vice President. Kemper National

Insurance Cos. Long Grove, Ill.

Nation's Business Workers'

[Editor's Note: We agree fully that cutting workers' compensation costs requires both an individual and a collective approach. Our past coverage has dealt extensively with the latter, while the October cover story was designed to bring readers up to date on the former.?

Oregon Insurers' Key Role

This excellent story listed many elements of Oregon's reforms but erred in reporting that the state's legislature created an insurance program for small employers.

Statutory changes narrowed the definition of compensability, required safety committees, eliminated chiropractors as attending physicians, and implemented impairment-rating standards based on objective medical findings.

Many insurance programs were created after those and other basic changes, most by private insurers. Stephen L. Beckham Government Affairs Manager

Liberty Northwest Insurance Corp. Portland, Ore.

The Real Solution

The emphasis on what individual employers can do to deal with this problem is the way in which you can truly help your

readers. It is easy to blame the laws and the legislatures, and there are some laws that could be improved, but the real long-term solution is in the workplace. Edward M. Welch

School of Labor & Industrial Relations Michigan State University East Lansing, Mich.

Free-Market Forces Reining In Health Costs

Your November editorial, "Doing Nothing Is No Longer An Option," shows that you have fallen for the Clinton propa-

ganda on health care. You and he are ignoring how the free market has begun to bring healthcare costs under control.

Regional preferredprovider organizations are emerging, and other cooperative ventures between health-care providers and industry are starting to take shape. Employees are increasingly involved in choosing how they spend their health-care dollars These market forces,

while imperfect and slower than most of us would like, do far less damage than a federally run, federally mandated system.

Lesson after lesson has taught us that when the government gets involved, the situation always gets worse.

John C. Neill President J-STAR Industries, Inc. Fort Atkinson, Wis.

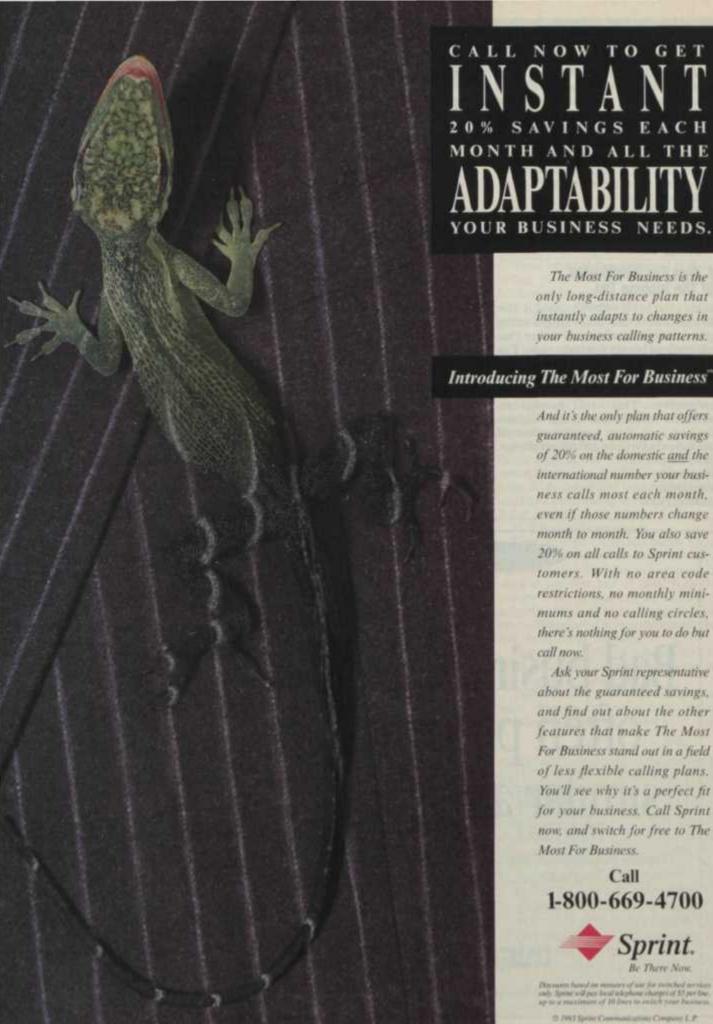
Another Source Of Older Workers

Your article "Golden Employees-In Their Golden Years" [August] told how employers can recruit older workers. Companies can also find employees through the U.S. Department of Labor's Green Thumb program for older workers. Information is available from the department's local job-service offices.

Jackie Bowling Program Aide Green Thumb Rapid City S.D.

Why There Are Problems In The Discovery Process

"Civil Courts On Trial" [August] cites the long delays encountered in the U.S. civil-justice system. The article noted



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Nation's Business December 1993

efforts to reform the use of pretrial discovery. But the rampant abuses in the present discovery system are not a result of overuse of the procedure but instead underuse of simple honesty in providing responses. And the system already has its own safeguards built in. Federal rules governing civil procedure already allow for limitation or elimination of the discovery process for sufficient cause.

William S. Stone William S. Stone, P.C. Trial Lawyers Blakely, Ga.

A Plea For Elimination Of The Income Tax

In his letter to the editor [August], R. Dan Ritchie of Riverdale, Md., suggests taxing gross revenue at a low rate rather than adjusted net income at a higher rate. This would probably be an improvement, but the real answer is the elimination of all income tax on individuals as well as corporations. This would increase rewards for working and saving, eliminate the high costs of tax compliance, and cut the federal payroll by 100,000 employees. Mike Ford

President Vindicator Austin, Texas

Not The Best Way To Make A Move

After reading the October issue's Managing Your Small Business item on saving on moving costs, I wanted to comment from the point of view of a small-business



BAUGINATION OWEL COLUMN

moving company. The photograph that accompanies the article shows a supervisor in soft-toe sneakers lifting a rather heavy load. The cover story in that issue tells how companies can reduce workers' compensation costs. The irony of this juxtaposition is all too apparent.

The drafting of supervisory staff to do physical labor that they might not be accustomed to performing could result in a back or toe injury, incurring medical costs that would cancel any savings on moving expenses.

Perhaps the best advice for companies is to hire an ethical and professional mover. Harvey Steinberg

President

Quaker Moving & Storage Co., Inc. Philadelphia

[Editor's Note: While the item itself referred only to the use of regular employees to pack smaller items, such as books and the contents of desk drawers, the accompanying photograph did depict a production supervisor moving a large coil of wire.]

Employers Must Monitor Vehicle Occupancy

The congressional mandates on state and local governments mentioned in "Taxing The Man Behind The Tree" [September] did not include the employer-trip-reduction provision that was incorporated into the Clean Air Act in 1990. The provision imposes on businesses in certain metropolitan areas the responsibility of ensuring that average occupancy standards are maintained in employee-owned vehicles arriving at work sites between 6 a.m. and 10 a.m. weekdays.

Vincent P.A. Benedict Senior Director People Department Henkels & McCoy, Inc. Blue Bell, Pa.

A New Career Begins After Retirement

Re "Life Begins At 60 For A Change" [September]: For me, life begins at 75, my present age. Two years ago I retired, but after two months of loafing I decided retirement wasn't for me. I developed and am now marketing a vehicle-accident documentation kit. An important component of the product is a single-use flash camera. This venture could be the most important thing that I have ever done. David Harans

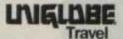
AXiKit, Inc. Baltimore

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.

Business Travel Dilemma

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Entrepreneur's Notebook

Developing Passion For A Product

make khakis, but I'm not in the trousers business. This subtle distinction has defined a niche for a growing business. My company makes Bills Khakis. (That's Bills, no apostrophe.) It's a business that concen-

trates on a single, basic product, trying to make it better than other, bigger companies can.

It all started when I couldn't find a good pair of khakis. In college, I would buy khakis at an Army surplus store. There was something simple, wonderful, and American about them. They were functional in every way.

As the '80s turned into the '90s, however, the fashion world seemed to give up on the pants that I had fallen in love with. The basic military cut had been replaced by a generic style. Many big-name manufacturers seemed to be making khakis as an afterthought.

I thought how difficult it was to find a great-fitting pair of

classic khakis and replace them with the same style a few years later. Taking scissors to a pair of worn-to-shreds khakis, I developed a pattern and started making pants as a hobby.

Soon after, I gave up an advertising job to pursue a dream. If none of the big manufacturers would put their brand name on khakis, I would; silly as it might

Bill Thomas is owner of W. Thomas Co. of Reading, Pa., makers of Bills Khakis. He prepared this account with Nation's Business Contributing Editor Charles A. Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000. sound, I was on a mission to rescue a world-class design that the big companies had allowed to fall by the wayside.

My work in advertising convinced me of the need to develop a brand name, an identity that would help spread the word.

> When I needed solace in those early days, I'd go for ice cream. Baskin-Robbins and Dairy Queen were thriving long before Ben & Jerry's got started, but that didn't stop the upstart from succeeding.

Those guys didn't reinvent the wheel, or, in their case, the churn. Instead, they made a good product and packaged it in a slightly different way, giving it an identity of its own. That's what I intended to do when I started W. Thomas Co. and, in January 1991, sold the first pair of Bills Khakis.

For the brand name to work, I had to deliver a superior product, hence the intense focus on khaki pants and shorts.

This company will never be confused

with the larger pants makers; trying to be the best at a lot of things would not only take my eye off the ball but also put me at a competitive disadvantage.

Bills Khakis are sold entirely by mailorder or wholesale; the pants are made to my specifications by a cutting-and-sewing operation in Bovertown, Pa.

That operation, too, is essential to the success of Bills. The shop produces high-quality goods for companies much larger and better recognized than my own. Like a lot of small entrepreneurs hiring out production, I need the subcontractor to take my company and its tiny orders seriously, yielding consistent quality.

My being there and showing passion for the product has helped the shop's workers understand what Bills is all about.

They know the owner, me; they don't know, say, Ralph Lauren. And they produce khakis that I can back with a guarantee that tells consumers how serious I am about getting people to try what I believe is the "right brand of khakis."

When I started the company, I resisted selling pleated khakis. That wasn't a fashion statement; it was an issue of authenticity. World War II khakis weren't pleated. Many customers say they remember owning khakis like mine as a kid or wearing them in the war, years before I was even born.

Finally, I gave in to consumer demand and offered khakis with pleats. It's kind of like Coke and Diet Coke, the new product complementing rather than detracting from the original.

I am also adding a few other colors and fabric weights, but I won't let those new products distract me. Bills will concentrate on its bread and butter; that's how start-ups avoid being crushed by established giants.

We'll live or die on khakis.

Thus far, it's a living. W. Thomas Co. in 1992 almost doubled its first-year sales, and the company continued to expand its sales in the first half of 1993. With the release of the pleated line, the addition of a fourth sales rep, and our largest order ever—500 pairs—I'm optimistic that sales will top \$190,000 this year.

That is proof that if you can do one thing better than anyone else, the market will move over and let you in.

There are a lot of people out there who wear trousers but really want khakis. That's a market I can survive in.



Bill Thomas set out to create a unique identity for his khakis.

What I Learned

By concentrating on a single product, an upstart manufacturer who cares about quality can beat the odds, surviving and perhaps even thriving in the face of competition from the giants of the clothing industry. There's nothing like having the right set of tools and a Magnum powered tool box to put them in.

So your old reciprocating saw can't cut it anymore. And your current truck isn't up to the job either. Help is on the way.

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DEWALT

Dateline: Washington

Business news in brief from the nation's capital.

SPENDING AND TAXES

Cities And States Blast Mandates

Officials of cities and states across America have united to send a message to Congress: Stop requiring us to pick up the tab for the laws you pass.

The irked state and local officials recently proclaimed "National Unfunded Mandates Day" and led an all-out media blitz in cities from Anchorage to Atlanta. Their goal is to draw attention to a problem they say consumes an average of 12 percent of locally raised revenues,

And much of the tab is ultimately passed on to businesses and individu-

als in the form of higher taxes, the officials

"If you have the political courage to pass the legislation, you should have the political courage to fund it," says Chicago Mayor Richard Daley. He and other local leaders came to Washington, D.C., to voice their concerns to President Clinton.

A new study by the U.S. Conference of Mayors estimates that it cost the nation's cities \$6.5 billion to comply with 10 major federal laws that had unfunded mandates in fiscal 1966.

The laws that were studied included the Americans with Disabilities Act, the Fair Labor Standards Act, and environmental laws dealing with landfills and air and water quality.

Among 314 cities surveyed in detail, Los Angeles and New York assumed the greatest costs for compliance. President Clinton has responded with an executive order, effective in late January, that will require federal agencies to seek input from localities when developing regulations that have unfunded mandates.

The president's order also requires agencies to make it easier for local and state governments to get waivers on mandates if they want to tailor their programs so that they are more in line with the specific needs of their communities.

-Laura M. Litvan

Cities Hit Hardest By Unfunded Mandates

These cities incurred the greatest costs in fiscal 1993 under 10 federal laws mandating spending by localities:



Social Security Tax Base And Earnings Limit To Rise

The amount of wages subject to Social Security payroll taxes in 1994 will be \$60,600, up from \$57,600 in 1993. And next year, for the first time, there will be no limit on the amount of wages subject to the 1.45 percent Medicare payroll tax. The limit was \$135,000 in 1993.

The tax rate paid by employers and wage earners will remain unchanged next year at 7.65 percent of wages—6.2 percent for Social Security and 1.45 percent for Medicare. For self-employed individuals, the rate will remain at 15.3 percent of earnings—12.4 percent for Social Security and 2.9 percent for Medicare.

Social Security recipients will receive a 2.6 percent cost-of-living increase in January. Those who are retired and receiving Social Security can earn a little more in 1994 without suffering a loss in benefits. The earnings limit will increase for recipients ages 65 through 69 to \$11,160 a year from \$10,560. Thus, for every \$3 earned over \$11,160, a Social Security recipient will lose \$1 in benefits. For those 62 to 64, the limit is increased to \$8,040 a year from \$7,680, which means a loss of \$1 for every \$2 earned over \$8,040. There is no earnings limit for individuals age 70 or older.

-Joan C. Szabo

HEALTH CARE

More Small Companies Would Receive Subsidies

The final version of President Clinton's health-reform plan increased the number of small businesses that would be eligible for federal subsidies.

Companies with up to 75 workers would be eligible for federal financial help under the proposed Health Security Act, submitted to Congress on Oct. 28. The preliminary version limited subsidies to companies with 50 or fewer workers.

Under the latest plan, companies with fewer than 25 employees and average annual wages below \$24,000 per person would qualify to have their health-insurance costs capped, ranging from 3.5 percent to 7.1 percent of total payroll.

Companies with 26 to 50 workers and average wages less than \$21,000 would be eligible for premium caps ranging from 4.4 percent to 7.1 percent. And firms with 51 to 75 workers and average wages less than \$18,000 would be eligible for caps ranging from 5.3 percent to 7.1 percent.

No company would have to pay more than 7.9 percent of payroll for health insurance. The federal government would pay the difference between the employer's share and the total cost. (For more on the Clinton plan, see "Small Firms' Stake In Health Reform," November.)

-Roger Thompson

FEDERAL LAWS

Booklet Explains Laws Requiring Small Firms' Compliance

A free, 87-page handbook detailing the principal laws with which small firms must comply is available from the U.S. Department of Labor. It describes such statutes as those covering the minimum wage and overtime pay, child-labor protections, employment eligibility of alien workers, occupational safety and health, employee benefits plans, plant closings, and family and medical leave.

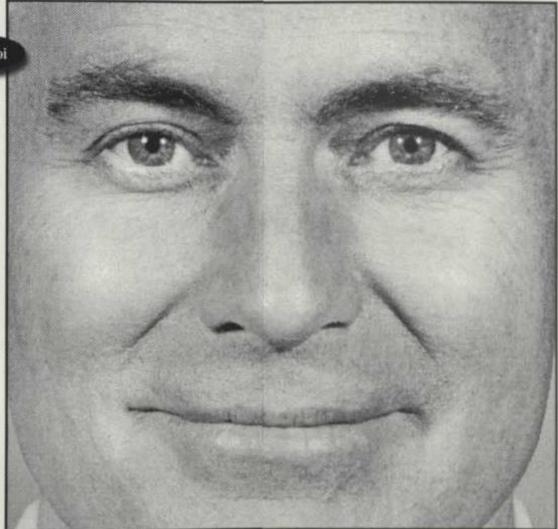
The handbook gives the basic provisions of each law, penalties for noncompliance, the statute's relation to state laws and other federal laws, and the employers covered; it also lists Labor Department phone numbers for further information.

The handbook may be ordered by mail only from the Consumer Information Center, Dept. 629Z, Pueblo, Colo. 81009.

-David Warner

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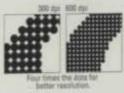
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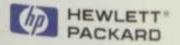
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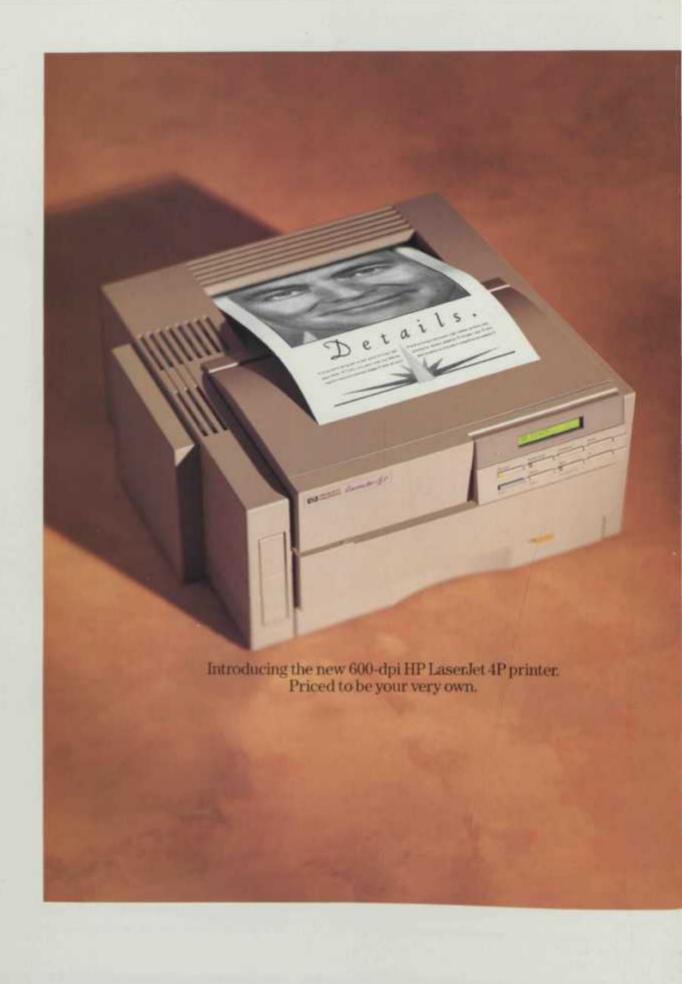
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Managing Your Small Business

Complying with new federal rules; setting up affordable branch offices; making friends with the media.

By Roberta Maynard

REGULATION

Food-Labeling Law: No Piece Of Cake

All food makers that make health claims about their products-regardless of the company's size-are finding they must plan on extra costs and plenty of lead time to comply with the new federal nutrition labeling rules.

For example, Natural Nectar, a snack-food company in City of Industry, Calif., has spent several hundred thousand dollars and many months preparing for the regulations, which are still being amended and are scheduled to take effect May 8.

Among other things, the regulations will specify a format for presenting information on contents, and they will even stipulate the required label and type size.

Natural Nectar makes granola snack bars and healthful desserts, and it

advertises products as cholesterol-free and low in fat. The company's additional expenses have included legal fees, product-analysis costs, and the creative-services costs for redesigning its product

labels.

To determine the amount of carbohydrates, fat, vitamins, and so on in its 34 products, the company had to have a laboratory that was certified by the U.S. Food and Drug Administration (FDA) analyze samples of each product from three separate production runs.

The extra work required Natural Nectar to hire two researchers and develop a detailed matrix to track what was being

And, of course, all of the packaging had to be redesigned.

"We had to understand the label laws and had to work with an attorney," says Bob Livingston, the company's president. "We were in contact with the FDA on a daily basis, sometimes a few times a day. It's been very time-consuming."



The new food-labeling law gave Natural Nector the chance to improve its products, says Bob Livingston, above.

Businesses that haven't planned that far ahead may have trouble catching up. Livingston advises those companies to ask their packagers and printers about lead times: "We were forewarned by our packagers to get the artwork in by the end of the year or our new designs wouldn't be ready until next September. The lead times are doubling because everyone is realizing that time is running out.

Natural Nectar doesn't view the process negatively, however. "It was an opportunity for us," Livingston says. "We had to change our packaging, so we decided we would enhance our product at the same time."

Analyses such as these may give companies an edge over competitors whose products are found not to be as healthful as their marketing suggests.

For further information about the rules, call the Food and Drug Administration's Office of Food Labeling, at (202) 205-5229.

U.S. Manufacturers Express Optimism On Exporting

Manufacturing companies that export expect greater corporate growth in the next several months than manufacturers that don't export, according to a recent survey of 132 companies with annual revenues in the \$1 million to \$50 million range.

The survey was conducted by Coopers & Lybrand, a New York-based consulting firm. The exporters said they expect to increase their work forces by 16.4 percent over the next six to nine months, while the nonexporting manufacturers plan on increases of 12.5 percent.

Most of those exporters also said they were more optimistic about their shortterm export prospects than they were earlier in the year. International trade has become more appealing, they said, because of improved communications, reliable transportation, and lower tariffs.

For the coming months, 38 percent see political or economic conditions abroad as the greatest potential limitation to exporting, 17 percent are concerned most about price competition with overseas firms, and 16 percent view credit or finance limits as their biggest hurdle.

Other concerns were overseas distribution, 14 percent; technology compatibility, 7 percent; quotas and import-licensing restrictions, 4 percent; timeliness of delivery, 4 percent; and ISO 9000 or other quality standards, 1 percent.

TRANSPORTATION

Travel Costs Will Increase Slightly In The New Year

Businesses' overall travel costs will increase an estimated 3.8 percent during 1994, according to Runzheimer International, a management-consulting firm in Rochester, Wis.

Air fares will increase about 5 percent, or a little over the projected 3.3 percent rate of inflation. Lodging will increase about 2 percent, although many innkeepers may be willing to negotiate prices to keep occupancy levels high, Runzheimer says. Meals will increase at or below the rate of inflation; food costs could be affected by crop damage from last summer's flooding in the Midwest.

Finally, car-rental rates will not rise over the rate of inflation for a second consecutive year, says Runzheimer.

WORKPLACE

A Flexible, Affordable Way To Lease Office Space

Quentin Englerth, president and CEO of an executive development and outplacement firm, found that it is possible to enjoy the benefits of several locations without bearing the costs of maintaining branch offices full time.

In addition to leasing its main office in Bethesda, Md., Englerth Associates has arranged short-term leases at three other suburban locations around Washington, D.C., through InterOffice, a propertymanagement firm based in Fairfax, Va.

InterOffice develops, leases, and manages furnished office centers for companies like Englerth's and provides office staff and support services, including desktop publishing, voice mail, communications linkups, and mail handling.

"It became clear to me from a customer-service standpoint that I needed multiple locations," says Englerth, whose company has a full-time staff of five.

"Many executives don't want to go downtown, and we want to provide them with convenience and with premium facilities," he says. "I costed it out and couldn't afford several locations. This way, I can



Outplacement-firm CEO Quentin Englerth confers with manager Linda Becker of InterOffice, which provides leased executive office space and support staff.

have them-at less than half the cost."

A major advantage for Englerth's business, which is somewhat cyclical, is the short-term lease. Commitments can be made to meet the need to expand and contract over the year, he says. "Flexibility is what makes it so useful for me." He can even arrange for work space when he travels to other cities. InterOffice has 27 centers in 12 major markets.

Englerth also recommends office suites as a cost-effective option for start-ups.

NEWS MEDIA

Turning An Interview Into An Opportunity

When meeting with a member of the news media, consider these guidelines, offered in a three-part video series called "Effective Media Relations: Preparation & Delivery," from the Health Industry Manufacturers Association, in Washington, D.C.

■ Make a friend of the reporter. The reporter represents the public; you want the public to know your side of the story.

Make your answers relevant to the reporter's questions.

Do your homework. Have the facts well-formulated in your mind.

■ Look at each question from the public's point of view, and relate your answers to those readers or viewers.

■ Give quotable statements. They can be repeated in other media, which maximizes your impact.

Make short, clear statements. Avoid jargon and aeronyms.

■ Before the interview ends, be sure to put forth four or five key messages.

(For more guidance on dealing with the news media, see "Handling A Crisis Effectively," on Page 54.)

NB TIPS

Leadership Lessons

Judgment Calls: High-Stakes Decisions in a Risky World is a new book that offers insights into leadership and decision making, particularly what influences leaders' decisions and why some achieve the desired effect and others don't.

The author, John C. Mowen, explains how managers and CEOs should approach basic judgment calls, including decisions about whether to maintain or abandon a course of action.

The book also suggests how to weigh reason vs. emotion, risk vs. security, and the present vs. the future. Mowen shows how to identify and evaluate the factors essential to making those judgments even when there are ambiguous circumstances.

The book, published by Simon & Schuster, is available at bookstores for \$22.

An Environmental Primer

To help sort out your business's environmental responsibilities under the law, read The Guide to Environmental Laws: From Premanufacture to Disposal, issued by the Bureau of National Affairs, a publishing and research firm in Washington, D.C.

The book, written by James A. Stimson. Jeffrey J. Kimmel, and Sara Thurin Rollin, offers succinct explanations of everything from RCRA (the Resource Conservation and Recovery Act) to the Superfund law. In addition to describing each federal law, the book covers reporting and record-keeping rules, registration and permit procedures, and enforcement and liability issues.

The 338-page book is \$48, plus \$3 for shipping and handling. To order, call 1-800-372-1033.

WORK FORCE

Certain Traits Preferable For Customer Service

Exceptional customer-service representatives, according to a recent study, have four distinguishing characteristics: These reps are conscientious, secure (calm and clear-headed), agreeable, and able to solve problems. But it can be hard for employers to identify such people when hiring because those exceptional candidates also share two traits with mediocre performers: being outgoing and being able to deal with unusual situations.

The four-year study was conducted with 3,000 individuals by Caliper Corp., a 30-year-old consulting and psychologicaltesting firm in Princeton, N.J. The sharing of traits "explains why it is so difficult to identify exceptional customer-service representatives at first blush," says Herbert M. Greenberg, president and CEO of Caliper "Many job candidates can leave a very favorable first impression by coming across as extroverted, likable, and willing to try new things. But they just do not wear well over time," because they are weak in the four categories essential for good customer rapport.

Caliper has developed a psychological test that measures the six attributes mentioned above. The 30-minute test is administered by a business at its own location for \$75 per person assessed. The completed test may be sent by fax to Caliper. The results and Caliper's recommendations are ready in two hours.

For information about the test, call Ernest Rockey at (609) 924-3800.



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Making It

Growing businesses share their experiences in creating and marketing new products and services.

Thriving On His Own

By Charles A. Jaffe

AT&T Corp., Bernie Durant realized that if he was ever going to realize his aspirations, he would have to do it on his own.

Durant, however, never expected to wind up in oil, a business he knew absolutely nothing about.

Today, Durant Enterprises Inc., based in Allentown, Pa., is a growing, diversified company with about \$6 million in annual revenues.

In 1985, after speaking to a minority business group, Durant was approached by George Smith, purchasing man-ALPO for Inc., Petfoods, nearby South Whitehall Township, Pa. Smith was having trouble meeting a directive to buy a portion of ALPO's supplies from minority businesses.

Smith made Durant a proposition. Durant would buy fuel oil at a discount from a regional supplier and resell it to ALPO at a fraction above cost. Smith arranged for ALPO to pay for orders within 10 days and for the fuel oil supplier to accept payment in 30 days, meaning Durant could invoice ALPO, get his check, then pay for the oil and keep the

"Without that help, this business doesn't happen," says Durant, whose wife, Joyce, ran the office while he continued to work at AT&T "I couldn't have gotten a bank loan and didn't have money to pay for the oil myself."

Smith, now retired, acknowledges that the deal was something of a gamble:

"Bernie didn't know anything about oil; if he was the kind of person who thought this was a gift, it wouldn't have worked. Minority businesses need help and guidance to get started. That's what I gave Bernie; he took the ball and ran with it, farther than I imagined."

"Don't give me anything but an opportunity," says Durant. "If I'm not smart enough to take advantage of that, so be it." He immersed himself in the fuel-oil

business, learning as quickly as possible. The more he knew about fuel oil, the better salesman he became. Kraft General Foods, Scott Paper Co., Stroh Brewery Co., and other major corporations quickly signed on as customers.

In 1986, its first full year, the company had about \$1 million in sales. Durant left AT&T the next year.

Because Durant's company doesn't actually produce fuel oil, competing on the basis of price is virtually impossible. Instead, the company competes on the basis of service, guaranteeing on-time delivery and seeking out a product with consistent quality.

Durant has since expanded his business. In 1991, he returned to his professional roots and opened a full-service engineering operation. His aim was to find six or so regular customers who would call Durant Enterprises whenever they needed engineering work, and Durant

The portrait of himself as a coveboy reflects Bernie Durant's love of riding horseback in his spare time.

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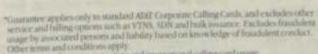
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says he is close to meeting that goal. One of his more prominent customers, his old employer, AT&T, has called on him to design a physical fitness room and test exhaust systems at its Allentown, Pa.,

Engineering now accounts for 25 percent of Durant Enterprises' sales. The company has also expanded into natural gas as well as AT&T wire and cable products.

Durant, 59, wants to turn the business over to his two daughters sometime around his 65th birthday. In the meantime, he would like to continue providing for minority opportunities ers-most of his 10 employees are blackand to reach \$10 million in sales, which he expects will happen once the wire and cable business is established.

"I'd like to be known first as a successful business person," says Durant, who

grew up in an inner-city Philadelphia neighborhood. "If being black opens doors for me, I'll take advantage of that, but that's just part of why I'm successful; it's not the reason for it."

Durant contends that there are opportunities out there for minorities who are creative, and he relishes being a role model. "Making the money is nice," he says, "but the best thing is when my success opens someone's eyes."

Rustic And Wonderful

By Sharon Nelton

he can't cook, she says, but Linda Egeland knows a thing or two about running a restaurant. She is a co-founder and the president of two successful restaurants in the Detroit hickory tables and snowshoes to pine cones and deer-crossing signs. A mounted moose head, dubbed Jackson, greets visitors in the Moose Preserve's foyer.

Egeland, a former environmental



Linda Egeland serves up outdoorsy fare at the Moose Preserve Bar & Grill. She designed the deck and patio, added last year to increase summer business.

area: the Moose Preserve Bar & Grill, in Bloomfield Hills, an affluent northern suburb, and the Beaver Creek Tackle and Beer, in Westland, a blue-collar community west of the city.

How about a bowl of venison chili. garnished with sour cream? Or hot pasties, the savory meat pies that are a staple of Michigan's Upper Peninsula? Or some Paul B'onion rings?

These are just a few of the dishes that grace the menus at the two establishments, which have a hunting-and-fishinglodge theme and an atmosphere as homey as the bar on television's "Cheers." "I hear again and again from our customers how good our staff is and how friendly they are," Egeland says.

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chemist, and her husband, Victor Dzenowagis, an executive at Stroh Brewery Co., dreamed of having a bar and restaurant of their own since their Michigan State University days, when they waited tables and tended bar at Dooley's in East Lansing.

For six years, says Egeland, who is 35, "we saved and saved and looked and looked," but they still didn't have the money to buy what they wanted. They asked three friends, including two who had also worked at Dooley's, to go in with

The five came up with \$60,000 from savings and bought the Westland location, then known as Paddy's Pub, in 1986.

The pub was losing money, says Egeland, "but it was a pretty decent facility, and we got it for the money that we had."

In 1990, after they had turned Paddy's Pub into a success, they opened the Moose Preserve. But not without a fight. Restaurants in the area tended to be owned by chains or geared to expensive dining, and two well-regarded restaurateurs had failed at the site Egeland and her partners sought. Township officials, Egeland says, were "leery about some new young kids that have some bar in Westland coming to build a bar in their

The banks weren't eager, either, until the partners were able to sell a young loan officer on the concept: a place that serves casual but good food at a busy intersection within five miles of two major sports arenas. One is the Palace of Auburn Hills, where the Detroit Pistons play; the other is the Pontiac Silver Dome, home of the Detroit Lions. The partners got \$150,000 from the bank, and, after promising to put \$30,000 into landscaping the boarded-up property, they got the go-ahead from the township.

The partners' persistence helped their business become recognized as a state Blue Chip Enterprise in a program sponsored by the Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and Nation's Business honoring small companies that have overcome challenges and emerged stronger.

Combined revenue at the two restaurants exceeds \$4 million annually, and employees number more than 100.

But it's not just the good food or the comfy surroundings that bring customers back. Or the big-screen TVs, the dart boards, or pool tables. It's not even the Mutt Wall of Fame, a wall with hundreds of pictures of customers' dogs that have been entered in the Moose Preserve's Mutt-of-the-Month contests. The secret, says Egeland, is that owners and staff members alike work at "making the customers believe that we really do care about them and we really appreciate their business and want them to come back."

When hiring, Egeland and her partners look for people who are outgoing, energetic, and quick to smile, and who have an attitude that says they want to work for the company and will do anything they have to do. "We'll take that over experience any day," says Egeland.

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Head Hunting In Russia

By Leigh Glenn

n paper, Hilary Greene and Michelle Schorr swap English lessons for piano lessons with employees of a theater on Nevsky Prospekt, a street in St. Petersburg, Russia.

In reality, the transaction masks the true relationship between the two American entrepreneurs and the theater, that of tenant and landlord; foreigners aren't allowed to rent from state-owned businesses. In St. Petersburg, succeeding in business means having not only a knowledge of Russian but also a knack for dodging red tape.

Greene and Schorr, both in their mid-20s, never expected that they would eventually set up shop in Russia when they met in 1989 as college students in a summer program at what was then Leningrad State University.

"At that time, we just knew that we loved the place," says Greene, who grew up in Williamstown, Mass., and learned research revealed demand for an employment-placement service. That August, they launched Personnel Corps, a company that places qualified Russians with foreign companies doing business in Rus-

Greene says many foreigners see Russia as a land of opportunity and simply expect to go there, embark on a venture. and make a fortune, "when really the best way is to start off admitting that you're naive and get good advice from the Russian side.

She and Schorr relied on a Russian friend who helped register the business with the city, set up a bank account, and guide them through the governmental bureaucracy. In February, the two finally found permanent office space. They signed a one-year lease with the theater, which is technically illegal.

"You have to be very trustful of whom you're working with and pay upfront or

have to "unteach" themselves and adapt to Russian ways. With so many changes in St. Petersburg, she says, lack of experience may have been helpful.

"You can't really schedule," Schorr says. "It's difficult when the tax laws change every 20 minutes and your accountant is trying to figure out how much

you're going to pay."

Finding qualified workers is an ongoing challenge. Greene and Schorr discovered that the want ads they placed didn't attract people with the abilities they were looking for, such as typing, computer skills, or even a knowledge of telephone etiquette.

They found that the best workers are hired through referrals, and they have placed 85 Russians-from drivers to company representatives-in permanent positions with such employers as Procter & Gamble, Ernst & Young, Saatchi & Saatchi, and the Norwegian Consulate.

Not all of their clients are Englishspeaking firms, Schorr says, but English is the "language of commerce" in Russia, and Personnel Corps requires all of its applicants to be able to speak the language.

> "A lot of people that we're placing are attracted by working for Western firms, where they can get guidance in developing themselves according to Western standards," Greene says.

> Those standards are incorporated into the hiring process. For example, Greene and Schorr coach applicants on how to dress for an interview and how to sell themselves and their skills. After an interview. the women meet with the job candidates to discuss how it went.

> One of the advantages of starting a business in Russia is the low initial capital outlay. Schorr said she and Greene borrowed "several thousand dollars" from their families, who were paid back in the first six months.

Schorr says revenues for the first full year of business exceeded \$40,000, not much by U.S. standards but "terrific" for Russia, where the average monthly income is \$60. Greene and Schorr expect. revenues to increase as more foreign companies move to Russia.

While both women feel occasional pangs of homesickness as well as qualms about the frequent political and economic upheavals, they plan to stick it out and branch into on-the-job etiquette and computer training.

There are so many services here that aren't offered," Greene says. "If you have the guts to do it, it's a great idea."



Hilary Greene, left, and Michelle Schorr, who studied together at what was then Leningrad State University, operate an employment-placement service in St. Petersburg.

Russian at Colby College, in Waterville, Maine. "We knew we'd want to come back. We wanted to really become part of the culture." Schorr, who is from Alexandria, Va., was studying at Cornell University, in Ithaca, N.Y.

Immediately after returning to St. Petersburg in the summer of 1992, the two began surveying foreign firms; their ing." Further complicating the start-up was the women's lack of a business background, although they did have some experience in employee placement. Greene once worked at a temp service;

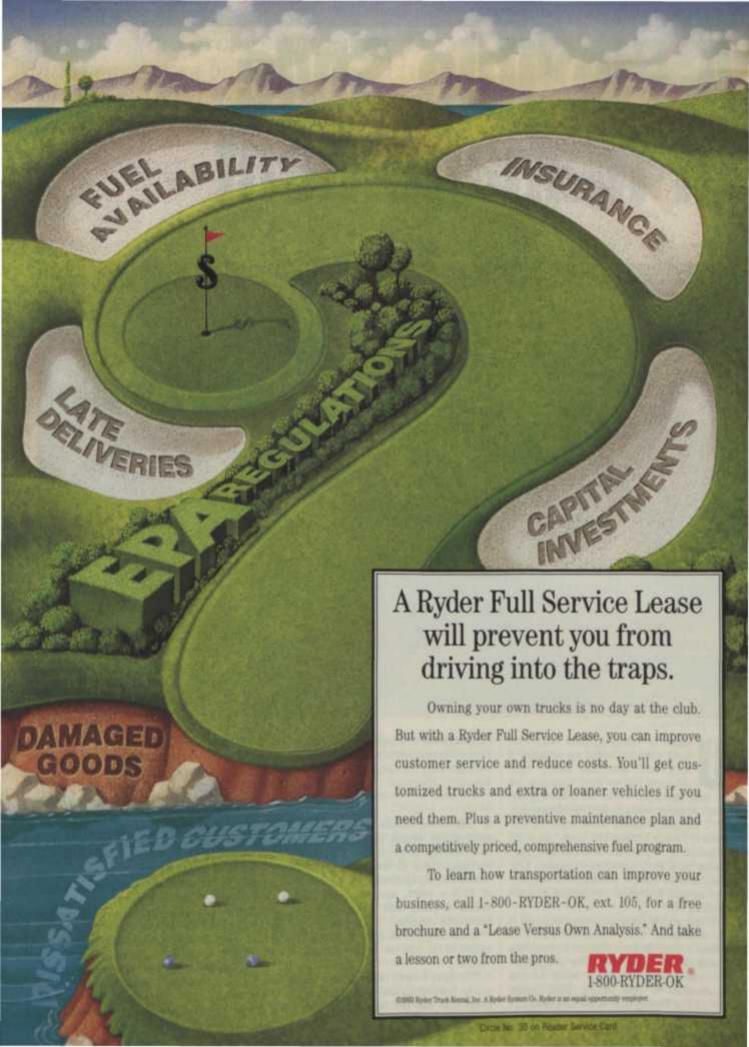
you don't get the space," Greene says. In

Russia, "you have to be so careful. Con-

tracts? What do they mean, really? Noth-

Schorr had had a job in the U.S. Navy's human-resources department. Greene, however, says the two didn't

Leigh Glenn is an American free-lance writer based in St. Petersburg, Russia.



A Flexible Style Of Management

By Sharon Nelton



nlike so many fathers who fear their careers would be stymied if they took parental leave, Paul Johnson felt no such threat when he took two paid weeks off following the Aug. 16 birth of his daughter, Maureen.

"I probably would have been threatened if I hadn't taken the time," he says. Johnson is a product-development specialist at a very unusual company: LinguiSystems, Inc., a publisher of speechand special-education materials in East Moline, Ill.

What makes LinguiSystems unusual is its deliberate and concerted effort to create a flexible environment to meet the needs of its employees. The company's attitude toward parental leave is one expression of that effort. Four years before the Family and Medical Leave Act

Parental leave at LinguiSystems gave Paul Johnson two weeks off with pay to be with his wife, Kenya, and their newborn daughter, Maureen.

of 1993 took effect last August, LinguiSystems began providing both men and women with up to 12 weeks of parental leave. It includes the first two weeks at full pay, the following four weeks at \$150 a week, and the remaining six weeks unpaid, with no interruption of insurance benefits.

Male employees are encouraged and expected to use at least the paid two

"To date, I can't think of one man who works here who's had a baby or adopted a child who has not taken the two weeks off," says Kathy Herbst, LinguiSystems' human-resources manager.

Although some companies can incorporate flexible work practices and policies more easily than others, LinguiSystems, with 55 employees, is one of a still-limited but growing number of smaller businesses that are beginning to adopt such measures, also known as flexible management or flex management. And these companies, some as small as three or four employees, are finding that such practices enable them to improve their bottom lines, recruit and retain higher-quality employees, and increase productivity.

Flex management means structuring the workplace to provide a number of options to meet employees' individual needs, such as part-time work, flexible scheduling of an employee's hours, job A limited but growing number of small businesses are boosting productivity by structuring the workplace to meet employees' individual needs.





Consulting with LinguiSystems' human-resources manager, Kathy Herbst, right, are Cleon Vander Vennet, left, and Dorothy Pope, who share the job of marketing secretary, each working half time.

sharing, and working at home. Some companies go even further.

Prospect Associates, a health research and communications company in Rockville, Md., with \$11 million in annual revenues, lets employees bring children to work if necessary as long as they are well-behaved and don't disturb the operation.

When she founded Prospect 14 years ago, Laura Henderson set out to create an environment that would reflect her belief that employees really were her biggest asset. Convinced that people don't leave their personal lives outside the front door of the workplace, she wanted to set policies that would support employees as "total human beings." Prospect was ahead of its time for a company its size in offering opportunities for part-time work, flexible scheduling, and telecommuting, as well as sophisticated benefits such as 401(k) plans and employee assistance programs.

"When you sell what I call 'thoughtware,' you're only as good as the people who work for you," Henderson says. "So our goal was to be the employer of choice in our industry and to attract the best and the brightest to come to Prospect so that we would have that quality edge."

While business people who are trying

different forms of flex management are enthusiastic about the results. managers considering going this route should be aware of potential downsides.

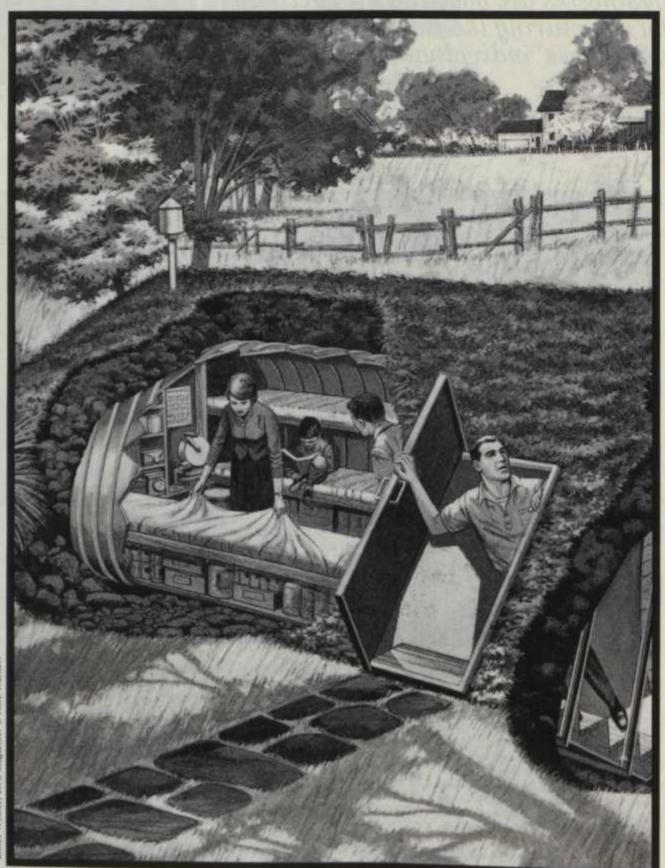
The biggest disadvantage comes from demanding a very different management style than traditional kinds of supervision," says Barney Olmsted, co-director of New Ways To Work, a research and consulting organization based in San Francisco. When employees are coming and going at different times and not always sitting at their deaks, a lot of managers worry that work is not getting done, she says, and that inhibits the use of flexible work arrangements. "Managers need to start managby achievement rather than by line of sight," she says.

Not all companies can adapt because not all employees can adapt, Kathy Herbst says. A flexiblemanagement program as broad as the one at Lin-

guiSystems requires that employees be decision makers on their jobs, take a great deal of responsibility, have a strong work ethic, and be able to work with few rules, Herbst says. But in today's world, she adds, many employees are conditioned to operate with rules in place and would not "be comfortable or be at their best in an environment with very little structure."

In their book Creating a Flexible Workplace (AMACOM, \$59.95), Olmsted and Suzanne Smith caution that a flexible option may ostensibly reduce costs but could increase such indirect expenses as administration and supervision.

The authors also point out that the



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impact of public and private policy and the attitudes of management, unions, and employees toward an option must be taken into account. For example, they say, part-time employees have traditionally been regarded as "second-class" workers; therefore, it's essential to gain support for a part-time program throughout the company, or its effectiveness can be doomed.

Several forces have come together to encourage business owners to adopt flexible management. For one thing, employers are finding that today's employees are growing more interested in such working arrangements.

"People in this decade want to add balance to their lives," says Patricia S. Estess, president of Working Families, Inc., a New York firm that consults with businesses on work and family issues. Estess points out that people are spending longer hours in the workplace and not only may have parenting responsibilities but also may have to take care of elderly parents.

With overtime and commuting, U.S. workers average more than 45 hours a week on job-related activities, according to the National Study of the Changing Workforce, a five-year study completed this year by the Families and Work Institute, in New York. The institute found that 42 percent of U.S. workers have experienced company downsizing. An equal number often feel "used up" by the end of the workday, largely as a result of the heavy demands of their jobs.

But on the plus side, the institute also learned that more than half of the 3,400 respondents define success as the personal satisfaction they get from doing a good job, a view that helps flex management work where it is tried.

The study also indicates that workers are concerned about the work environment, and it concludes that efforts to improve productivity, such as empowering workers, teaching about managing diversity, and focusing on total quality, won't succeed unless they also focus on the quality of the work environment itself.

"Workers are more loyal, more committed, more innovative, and more satisfied with their jobs when they have more of a say in how to do their jobs and have more control over the scheduling of their work hours," the study says.

Flexible work options seem tailor-made to help companies build or win back employee loyalty by improving the quality of the work environment.

Following are some flexible-management options offered by smaller and midsize companies:



When people work at home, they are more focused, says Support Our Systems' Jane Sandlar, who visits with SOS's technical director, Scarlett Cabral, seated, in Cabral's home office.

Regular Part-Time Work

Voluntary part-time employment on a regular schedule has begun to move into the mainstream of the labor force, according to Olmsted and Smith. In their book, Creating a Flexible Workplace, they point out that the entry of many women into the labor force was accompanied by a demand for jobs that would allow them to meet the needs of their families.

Another factor is the shift from a production-based economy to one based on the service industry. A production line tends to operate on a fixed schedule with a fixed number of employees, Smith says, while services, such as retailing, banking, and fast-food restaurants, have to staff to meet the peaks and valleys of customer need. The number of service businesses has soared, along with a market demand that they be open for longer periods of time, increasing the need for part-time workers, she says.

Gail Rentsch of Rentsch Associates, Inc., a New York publicity-services company, found that she could hire Jill Danzig, a highly qualified book publicist, first on a free-lance basis and, beginning last year, as a part-timer on staff. Danzig, who has two young children, generally works 18 hours a week.

"I really needed somebody who could bring the kind of experience that she has to the projects, and yet I would really not have been able to bring in somebody on a full-time basis on that level," Rentsch says. She felt that having a part-time employee of Danzig's capability would be more productive for the company than hiring a less-experienced full-time person. "That was a very good decision."

In addition to Danzig, Rentsch has two full-time employees besides herself and regularly uses three free lancers.

Nearly 240 of the 1,000 employees of Quill Corp., a direct marketer of office products and computers, based in Lincolnshire, Ill., are part-timers. Regular part-timers at Quill work a set number of hours on a set schedule each week.

"It makes sense," Quill's president, Jack Miller, says of the flexible approach. "It accommodates people's needs, and so it allows you to attract people you might not otherwise attract."

Quill's part-time employees enable the company to have more workers to answer the telephone or work in the warehouse during peak hours and fewer workers during less-busy times, instead of being fully staffed throughout the day. That saves on payroll costs.

Further savings can be made on benefits. Quill provides full benefits to parttime employees only if they work at least 30 hours a week; employees who work fewer hours receive lesser benefits.

Part-time employees, Miller says, generally receive pay comparable to that of full-time employees, but full-timers may pull ahead because they are more likely to be on staff longer and to receive more training.

Flextime

Sometimes called flexitime, flextime refers to work schedules that permit flexible starting and quitting times within limits established by a company. Flextime can be either full- or part-time.

Lisa Cokefair, a member of Quill's "flex-staff," works 26 to 30 hours a week in the order-processing department on a schedule that she finds convenient. A seven-year employee, she chose the flex-time option three years ago after her second child was born. Her husband, Jon, a firefighter and paramedic in Grayslake, Ill., works 24 hours at a stretch and is then off for 48.

With Lisa on flextime, the Cokefairs can coordinate their schedules so that one parent can look after the children when the other is at work.

"[Flextime] just made it a lot easier," Lisa Cokefair says. "We didn't have to find a baby sitter."

About 70 of Quill's part-time employees work flexible schedules, and Quill has even created an "inside" temporary-services department, staffed mostly by former full-time employees who have elected flextime. They are trained in a variety of as a four-day workweek in which the employee works 10 hours a day.

Flexplace

Flexplace, or flexiplace, means working full time or part time at home or at a satellite office or, when a computer is involved, telecommuting. And it's an option that Jane E. Graver Sandlar, president of Support Our Systems, Inc. (SOS), a seven-year-old, \$3-million-a-year company in Red Bank, N.J., uses to the hilt.

SOS is a documentation and training company that produces such products as user guides for computer programs and does in-house training for such clients as IBM, Chase Manhattan, and the U.S. Army. All but about a dozen of the 60 people who work for Sandlar, including technical writers, graphic artists, and editors, work at home. About half of those are salaried, full-time employees who get a full benefits package, and half are independent contractors.

"The people who are employees typi-

A Risky Business," Nation's Business, August 1993.)

Most of her employees and contractors choose to

work at home, Sandlar says, because they're "sick of the corporate life" or because they are working mothers who want to be home with their children.

Sandlar says at-home workers are very focused, they don't have the distraction of office politics, and they produce top-quality work. Neither she nor her clients must provide office space for them. And because she is not limited by location or commuting distances, Sandlar can hire the best workers available from across the country.

Nonetheless, Sandlar does say that such an arrangement has a few disadvantages. Working at home, she says, takes "a tremendous amount of discipline," and those who do so, especially writers, like to



A flextime program at Quill Corp. lets Lisa Cokefair schedule her work around that of her firefighter husband, Jon, and avoid hiring a baby sitter for their two children.

activities and are called on as needed and as available—to work in different departments.

Quill has saved more than \$175,000 a year on benefits by using flexible scheduling. While flex-staffers participate in Quill's profit-sharing plan, they do not receive holiday, sick, or vacation pay, or medical and dental insurance.

Jack Miller says the company has also saved nearly \$200,000 in payroll costs in its order-processing department alone by scheduling flex-staffers only during peak periods.

Some companies let employees determine their own schedules as long as they work certain "core" hours. Another variation is the "compressed" workweek, such cally are a little more security-minded, whereas the people who are contractors are just a little bit more independent," Sandlar says. The contractors, she says, pass the 20-point test that keeps them from being classified as employees under Internal Revenue Service standards. For example, they retain the freedom to work for other clients, and they do not receive a regular paycheck but are paid when they complete a project. While SOS pays such expenses as telephone charges for the regular employees, it does not do so for the contractors. (See "Contract Workers:

stall. She says that is her biggest management challenge, and she meets it by imposing many intermediate deadlines until a project is finished.

Contingent Employment

The independent contractors who work for Jane Sandlar fall into this category. Contingent employees include independent contractors, full- and part-time temporary workers, consultants, and individuals hired for special projects.

With 750 employees and 200 offices across the country, Gloria Bohan, presi-

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PHILID HUNCH BUE SCOTT

Flexible-management advocate Barney Olmsted, left, co-founder of a nonprofit organization called New Ways To Work, goes over ideas with Linda Marks, the organization's director of training.

dent of Omega World Travel, based in Fairfax, Va., is turning to independent contractors to develop the leisure-travel area of her \$320-million-a-year business. Earlier this year, she launched what she calls Omega's Independent Travel Contractors program. The "ITCs" work in their own communities to organize group travel, such as cruises or biking tours, using Omega for ticket purchases and quality control. Omega has 25 ITCs now, and Bohan hopes to have "hundreds."

"We see this as a method for growth," Bohan says. She expects ITCs to put Omega into communities where it doesn't exist, and she estimates that the average ITC will do about \$100,000 in gross sales.

Leave Time

Many companies are rethinking and expanding the options for leave time, the period of time when an employee may be away from work—with or without pay—without loss of employment rights.

Vacation time, sick leave, and bereavement leave used to constitute the standard. As more women entered the work force, leave time was often expanded to cover maternity leave; now, under the new Family and Medical Leave Act, it has been further expanded to include unpaid leave for both parents, and unpaid leave for the care of a child, a spouse, or a parent with a serious health condition.

More employers are beginning to offer flexible paid-timeoff programs, under which employees have a set amount of leave that can be used for vacation, sick leave, or personal business, as opposed to separate allocations of vacation and sick leave.

But LinguiSystems offers what it calls "unlimited" vacation time, under which employees may take as much paid vacation as they wish provided the work is done on time. "It's gone very well, and it's an excellent recruiting tool," Kathy Herbst says.

The arrangement does provide safeguards against abuses,

however. LinguiSystems is organized into teams, and before employees take time off, they are required to check with their teams and juggle work flow as needed. "If they take time off inappropriately and their work slides or the team is let down, then problems will result," Herbst says. "Usually the team will talk to that person about it."

The vacation policy has been abused only once or twice since it was established 2¹/₁ years ago, says Herbst, who believes LinguiSystems' employees actually take less vacation than employees at compa-

For Further Information

Business owners and managers who want to know more about flexible management can draw on the following resources:

Creating a Flexible Workplace: How To Select and Manage Alternative Work Options, by Barney Olmsted and Suzanne Smith (AMACOM, 1989), is a 461-page guide covering 10 work-scheduling options. It costs \$59.95 plus shipping and handling from AMACOM; 1-800-262-9699.

Working Families is a monthly newsletter aimed at helping employees cope with the dual concerns of job and family. Single subscriptions are \$12 a year. To order or to get bulk prices, contact Working Families, Inc., 31 E. 32nd St., 3rd Floor, New York, N.Y. 10016; (212) 481-8484. Working Families also publishes The Insider, a newsletter on work and family news for businesses. It costs \$95 a year for 14 issues. The Changing Workforce: Highlights
From The National Study, by Ellen
Galinsky, James T. Bond, and Dana E.
Friedman (90 pages), examines the comprehensive five-year study, which describes the work, personal, and family
lives of the U.S. work force. To order,
send \$53.50 to the Publications Department, Families and Work Institute, 330
Seventh Ave., 14th Floor, New York, N.Y.
10001: (212) 465-2044.

Two reports are available from Catalyst, a research and advisory organization: Flexible Work Arrangements II: Succeeding With Part-Time Options offers strategies for making flexible arrangements succeed. Flexible Work Arrangements: Establishing Options for Managers and Professionals (1990) provides an introduction to part-time work, job sharing, and telecommuting. Each

report costs \$85 (\$70 for contributors to Catalyst). To order, contact Margaret Baber at (212) 777-8900.

New Ways To Work, a research and consulting organization, offers materials ranging from a \$2.50, 24-page publication called Flexibility: Compelling Strategies for a Competitive Workplace to a sophisticated diskette package at \$1,950. For a complete publications list, send a self-addressed, stamped, business-size envelope with your request to: New Ways To Work, 149 Ninth St., San Francisco, Calif. 94103-2630.

Work and Family Policies: Options for the 90s and Beyond is a policy paper that offers a guide to employers for developing and implementing family-friendly policies. It is published by the Business and Professional Women's Foundation. To order a copy, send \$5 to API, 10631 Duvall St., Glendale, Md. 20769-9529. Ask for item No. 876. A package of 12 copies (item No. 876D) is available for \$22. nies where vacations are more structured. Paul Johnson says he typically takes about two weeks a year. "Employees don't feel like they're losing a benefit if they don't take that four weeks," Herbst says. Another advantage: The company doesn't have to pay out any vacation pay when an employee leaves, because there's no accrual of vacation time.

ioneer companies in flex management are also trying a host of other arrangements, including job sharing (the sharing of one job by two employees, neither of whom wants to work full time); gradual-retirement programs for older workers who want to reduce their work time; and voluntary reduced work time (and reduced pay) for limited periods. Some of the options offer employers and employees "a real alternative to layoffs," Olmsted says.

Laura Henderson at Prospect Associates also says her company will realign an employee's job to help the employee cope with difficult times. She herself benefited from this policy after the birth of her first child, who was seriously ill for a long period. She found there were certain parts of her job that she couldn't handle, and they were assigned to other employees until her crisis was over.

If you want to try some flexible options in your business, here are some pointers:

■ Assess your company and its management style. Olmsted warns that flexible management is "certainly not for top-down organizations." According to Herbst, LinguiSystems has been making sweeping changes along with introducing some of its flexible options. For example, earlier this year it did away with titles to try to eliminate a "we-they" attitude that existed between management and non-management employees and to improve communication and employees' sense of responsibility for the company.

LinguiSystems has also changed its approach to recruitment. Rather than advertise for someone with a particular skill to fill a specific position, the firm now advertises for "talented high achievers to grow our company." The ads then list various skills of interest to the company, such as graphic design, desktop publishing, writing, editing, and marketing.

■ Nurture a team approach. Teamwork often goes hand-in-hand with flexible



Prospect Associates' president, Laura Henderson, left, uses flex management to assure employees like Heidi Lloyd, center, and Michelle Graham that they are the company's biggest asset.

management. LinguiSystems and SOS are both organized in teams; team members can monitor one another's performance and fill in as necessary when a member is not available.

■ Understand the laws and how they affect your company before choosing any particular option. Quill's Jack Miller, for example, suggests that if you're thinking of hiring part-time workers, find out if they will be counted as full employees or on a proportional basis.

Various federal laws and regulations exempt companies below a designated number of employees (the Family and Medical Leave Act applies only to businesses with 50 or more employees), and the addition of workers could bring a firm under controls that had not previously applied.

■ Consider cross-training employees. This will enable you to move employees around to fill in for other employees who may be out, or, as in the case of Quill, to make more use of flex-staffers.

Kathy Herbst points out that LinguiSystems tries to make use of all of an employee's skills, not just one skill. "We have a very small work force. With only 55 people, we can't afford to have people who can only do their one thing," she says.

■ Deal with abuses of flexibility promptly. "Employees need checks and balances," Pat Estess says. If flexible options are being abused, she says, "it's something that you have to stay on top of. You can't be so accommodating that it's going to hurt the business."

■ Look for excellence from your flexible employees. "My advice is that [smallbusiness owners] should expect as much from a part-time employee as they expect from a full-time employee in terms of dedication, in terms of punc-

tuality, and in terms of work output," Jack Miller says.

mall-business

owners have the advantage when it comes to developing a more flexible workplace, Olmsted contends. They can implement flexible options one case at a time without worrying that 500 other employees will want the same option, she

says. And they can move quickly to help make flexible management succeed. For those companies whose operating methods are amenable to flex management, the potential results can be worth

the effort.
Companies such as LinguiSystems,
Rentsch Associates, Quill, Omega World
Travel, SOS, and Prospect Associates are

Travel, SOS, and Prospect Associates are all convinced that flex management works, and they're thriving.

To order reprints of this article, see Page 76.

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A Small Business

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Cashing In On 504 Loans

By J. Tol Broome Jr.

onnie Jones of Greensboro, N.C., had always dreamed of expanding his auto body shop business, but financing posed a major obstacle. The banks he visited wanted a 25 to 30 percent down payment in cash plus monthly loan payments that would not have been affordable.

Then Jones met a banker who suggested that he apply for a loan under the U.S. Small Business Administration's Section 504 program. With a 10 percent down payment and an affordable monthly payment, Jones found that he was able to buy land and construct a 5,400-squarefoot body shop.

"I was certainly pleased with the down payment part of the package," Jones says. "We got an excellent interest rate compared to our other options at the time, and a lower monthly payment."

Within a year and a half of completing the new facility, Jones Body Shop had doubled its annual sales and added six employees, bringing the total to 10.

Since its inception in 1981, the 504 program has generated more than \$4.6 billion in loans. The program reached a new high in the 1993 federal fiscal year that ended Sept. 30, with 2,454 loans totaling \$813 million.

Even with this record of impressive growth, many owners of small businesses are unaware that the program exists. And some others who have heard of 504 loans steer clear of them because of the program's association with the federal gov-

To help you determine whether you should explore the 504 program, here's an explanation of how it works:

Fixed-Asset Financing

The program is designed to provide long-term, fixed-asset financing to small businesses, specifically for land, buildings, and equipment. There are four key players in every 504 deal: the borrower, the bank, the Small Business Administration (SBA), and a certified development company (CDC).

The borrower is generally required to make a down payment of only 10 percent. The CDC provides 40 percent at a longterm fixed rate, with an SBA repayment

J. Tol Broome Jr. is a loan administrator with FirstSouth Bank in Burlington, N.C.



Expanding his business turned from dream to reality for Donnie Jones of Greensborg N.C., thanks to the federally quaranteed Section 504 loan program.

guarantee if the borrower defaults. The bank, meanwhile, agrees to provide longterm financing for the remaining 50 percent. It should be noted that the bank, not the borrower, initiates contact with the local CDC.

"Our bank has utilized the program a great deal in recent years," says David Trautman, a vice president with Park National Bank, in Columbus, Ohio. "The borrower is able to preserve working capital for other uses, and the program offers an attractive rate structure and favorable repayment terms." He adds that prospective borrowers are often "surprised to find that a 504 application does not involve mounds of paperwork."

The entire application process usually takes from four to eight weeks, according to Mark Barbash, who is executive director of the Columbus Countywide Development Corp. "We encourage our banks to call us early in the process," he says. "That way we can begin some preliminary evaluation before the package gets here. which expedites the approval process."

Eligibility Requirements

There are several basic eligibility restrictions imposed by the SBA:

For every \$35,000 loaned by the

CDC, the project must create at least one new job.

■ Machinery and equipment financed must have a useful life of at least 10 years.

■ The borrower must plan to occupy at least two-thirds of a building constructed with the loan.

For purchase or remodeling of an existing facility, the borrower must plan to occupy at least 50 percent of the space.

■ The borrower must qualify as a small business. An applicant is considered a small business if the firm's net worth does not exceed \$6 million and if after-tax net profits have averaged less than \$2 million during the previous two years. According to the SBA, 98 percent of all U.S. companies meet the agency's definition.

Strict equity requirements usually prohibit start-ups from participating in the 504 program.

Jobs, And More Jobs

Since its inception, the 504 loan program's principal mission has been job creation, says Martin Orr, chief of the development company branch of the SBA, in Washington, D.C. "The overall emphasis [of the 504 program] is on creating jobs and meeting needs of local communities."

According to SBA records, loans made

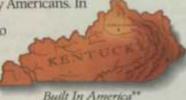
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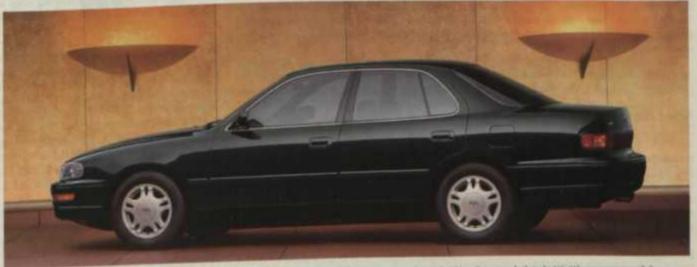
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under the 504 program have helped create more than 314,000 jobs since 1981.

o better evaluate whether your company might qualify for a 504 loan and to learn how to proceed, consider the following points:

Underwriting Criteria

The SBA imposes several basic underwriting restrictions on each prospective borrower:

- The borrower must have been turned down for bank loans.
- The business owner must demonstrate good character and management ability.
- The collateral must be acceptable.
- The borrower must show adequate cash flow to repay the loan.
- The borrower must own a substantial stake in the business.

Types Of Projects

According to Trautman, of Park National Bank, ideal 504 candidates include business owners who are growing quickly and need additional capacity, who are leasing their place of business, and who lack the 20 to 25 percent down payment typically required for conventional financing.

"I recently made a 504 loan to a corrugated-box converter," says Trautman, whose bank was one of

the most prolific 504 lenders in Ohio in recent years. "The company had been located in a 60,000-square-foot facility that was partially condemned," he says. "The down payment required for a conventional loan would have been a stretch. But we were able to put together a 504 package to finance both the construction of a new 40,000-square-foot building and some badly needed equipment."

Along with financing of construction, including land purchase, and acquisition, renovation, or expansion of an existing facility, a 504 loan can also cover soft costs, such as professional fees, surveys,

and interim interest.

The equipment financed must have a useful life of at least 10 years and must not be subject to short-term obsolescence.

Project Size Limitations

The SBA places size limitations only on the CDC loan portion of the project. The minimum amount for a CDC loan is \$50,000, and the maximum is \$1 million. Given that the CDC loan usually provides 40 percent of the overall project amount, the total value of a 504 project ranges from \$125,000 to \$2.5 million.

Loan Terms

The participating bank is required by the SBA to extend a term of at least 10 years for real estate projects (most will go 15 years on the amortization schedule) and at least seven years for equipment loans.

Interest Rates And Fees

The interest rate for the CDC portion of the loan package is fixed for the term of the loan and pegged to U.S. Treasury bill rates. In October, the 10-year rate for equipment loans was 5.85 percent, while

Growth Of The SBA 504 Lending Program

(Total amount of loans in millions of dollars each fiscal year.)



the 20-year rate for real estate loans was 6.75 percent.

The interest rate for the bank's portion of the loan can be fixed or variable.

A fee of about 3 percent is charged for all CDC loans, while a bank typically charges a 1 to 2 percent fee on its portion of the financing package.

Preparing For The Application

The borrower must submit several documents to the bank and the CDC, including financial statements covering the previous three years and personal financial statements for the principals in the company.

Borrowers must sign an agreement making them personally responsible for paying any portion of a defaulted loan not covered by the collateral.

For new real estate projects or for renovation, construction estimates and a completed set of plans and specifications must be submitted. An equipment-loan request should include estimates on the total cost of the machinery to be purchased.

Role Of The Bank

The local bank is the starting point for all 504 loan requests. It is important to find a lender familiar with the program.

The bank analyzes the feasibility of the loan request based on its standard set of lending criteria. Underwriting components that are considered include credit history, management strength, the business's track record, collateral, cash flow, and the company's level of equity.

Role Of The CDC

Paul Herringshaw, executive director of Centrolina Development Corp., in Char-

lotte, N.C., refers to the CDC as "the catalyst" for the 504 process. Once the bank has preliminarily approved a 504 request, the prospective borrower is turned over to the CDC.

"The certified development corporation works with the applicant and assists in preparation of the package," says Herringshaw, whose CDC has helped create more than 3,500 jobs in the past 10 years.

After the CDC board of directors (made up of local bankers) approves the loan, the CDC loan officer then recommends the package to the SBA. Few requests are denied by the SBA once they have passed muster with a bank and a CDC.

Role Of The SBA

In guaranteeing the CDC portion of the loan, the SBA provides the glue that seals a deal. Without the guarantee on the CDC loan, few banks will provide a 90 percent loan.

The SBA has done an excellent job of leveraging its resources. No federal money is spent unless a 504 loan goes bad. Agency official Orr reports losses of 0.5 percent of total dollars loaned.

Not For Everyone

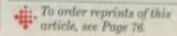
The 504 program has many benefits, but it is not for every small-business owner.

There are prepayment penalties attached to the CDC loan portion of the financing. Consequently, a borrower thinking of refinancing or moving only a few years after construction or expansion would be well-advised to avoid a 504 loan.

Not all banks are skilled at helping small-business borrowers pursue 504 loans. A good relationship among the bank, the CDC, and the SBA is essential to the timely completion of the 504 approval process.

With the requirement that one job be created per \$35,000 in CDC loan money, the program might not work for a business owner looking to add equipment, such as robotically controlled machinery, which could decrease employees.

Although the program may not be appropriate for everyone, 504 loans have helped thousands of companies secure much-needed financing for capital improvements or equipment purchases.



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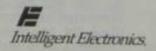
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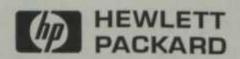
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The Move To Curb Worker Monitoring

Congress wants to clamp down on an employer tool for ensuring quality and productivity.

By David Warner

ow can a telemarketing company be sure its employees are performing satisfactorily? One way is to listen in on their calls, and the results can help clients and employees alike.

Mac Hansbrough, co-owner of National Telecommunications Services Inc., in Washington, D.C., tells of two employees who struggled while carrying out a telephone market-research survey on behalf of a utility. Supervisors monitoring the calls identified the phone solicitors' problems and gave them additional training. "The client was very satisfied that we found this out, and they participated in working with the two people," Hansbrough says.

In another use of employee monitoring, the Internal Revenue Service's internal audit of its Southeastern regional offices found that 166 employees took unauthorized looks at the tax returns of friends, neighbors, and celebrities. The IRS caught the culprits by monitoring a computer log that shows access to taxpayers' accounts. Criminal investigations were conducted on six of the IRS workers, including one who was accused of conspiring to make false tax returns to generate illegal refunds.

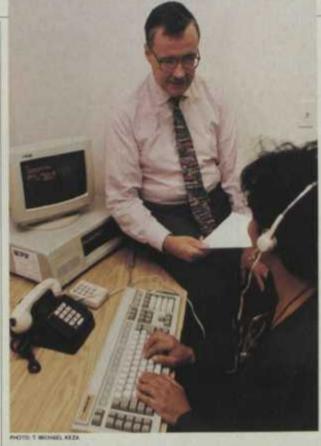
Neither the telemarketing employees' difficulties nor the IRS workers' actions would have likely been discovered, however, if legislation now pending in Congress had been law. Sponsored by Sen. Paul Simon, D-Ill., and Rep. Pat Williams, D-Mont., the bills would severely restrict, and in some circumstances prohibit, employers, including the federal government, from electronically monitoring employees.

The Privacy for Workers and Consumers Act, as the legislation is called, would apply to the collection, storage, analysis, and reporting of any information on employees "transmitted in whole or in part by a wire, radio, electromagnetic, photoelectronic, or photo-optical system."

Employers would not be allowed to monitor workers with five or more years on the job.

Employees who have worked between 60 days and five years could be monitored only if chosen at random and notified in writing at least 24 hours in advance of the date and time of the monitoring, which would be limited to two hours a week.

Workers employed for less than 60 days



Telemarketing executive Mac Hansbrough of National Telecommunications Services says employee monitoring is a matter of quality control.

would not be covered by the legislation.

In addition, data collected could not be used as the "sole basis" for evaluating employees or setting production goals, and employers who violate the act would be fined \$10,000 for each violation.

The potential impact of such measures could be broad. A 1987 report by the Office of Technology Assessment found that more than 6 million employees were monitored on the job that year. That number is considerably higher today, experts say, because of innovations in electronic technology. Even more people would be affected because the definition of "monitoring" in the pending legislation is broader than that used for the 1987 report.

Hansbrough, of National Telecommunications Services, who monitors his telemarketers randomly "every day or so," says he does so to help employees do their jobs. Monitoring "is quality control," Hansbrough says. "It is consumer protection. It is the only way we know what's going out over the phone lines."

The telemarketing industry's policy is to advise employees when they are hired that they will be randomly monitored and to obtain their written consent, says Hansbrough, who is also president-elect of the American Telemarketers Association. "If we can't monitor on the phone, we're going to have to monitor person to person," he says. "We always felt that was much more intrusive-a supervisor walking down the row of phones, going from station to station. standing there looking over your shoulder, getting his or her head close enough to hear what you're saving."

But proponents of the bills, including the American Civil Liberties Union (ACLU) and the Communications Workers of America, claim

that too many employers are abusing new technologies, such as computer E-mail (messages sent via computer) and telephone voice mail, to monitor employees.

"The technology has become very available and very cheap to allow employers to do things they really shouldn't be doing," says Lewis Maltby, director of the ACLU's National Workplace Rights office, in New York. Workers' rights to privacy "shouldn't go up in smoke when they walk through the office door."

Simon says his bill is necessary because "just over the horizon are more technology breakthroughs and refinements that we can't even envision today. Unless we begin now to define privacy—and in particular workplace privacy—as a value worth protecting, these new technologies will be upon us before we are ready for them." He adds that electronic monitoring can cause employee stress.

On the other hand, businesses are

LEGISLATION

incurring big losses as a result of employees' illegal actions that employers believe they can stop or at least discourage through monitoring. According to the U.S. Department of Commerce, crimes involving computers, telecommunications, and electronic fund transfers exceed \$1 billion a year.

In addition, theft and vandalizing of equipment cost employers more than \$3 billion a year, and theft of proprietary data, such as trade secrets, tops \$2 billion annually. According to the U.S. Chamber of Commerce, workplace theft of all types costs employers more than \$40 billion a year.

While innovations in electronic technology are speeding processes and transactions and are allowing for greater data collection, they are also making it easier for unscrupulous individuals to tap into computer systems, telephone voice mail, and other data repositories. Employers see electronic monitoring-used for security purposes and to spot employee theft or misuse of personnel records and other company data—as one of the most effective and least disruptive ways to stop such crime.

A coalition of business groups opposed to the Simon and Williams bills, including the U.S. Chamber, says that restricting electronic monitoring would prevent employers from protecting workplaces and employees with security cameras, keeping routine personnel records on computers, ensuring quality control, preventing fraud, and completing worker evaluations.

"Companies have a lot of sensitive financial data, all kinds of personal data that employees could get access to, and there has to be some sort of protection for those," says Scott Ehrlich, a researcher for the Employment Policy Foundation, a Washington, D.C., employment-issues institution that did an analysis of the Simon and Williams measures.

Daniel Yeager, a lawyer with the Labor Policy Association, a business-backed public-policy organization in Washington, D.C., says, "The effect of [the bills pending in the House and Senate) is to really put a legal cloud over virtually all

workplace technology that has any kind of employee-specific identification capability," such as telephone or computer monitoring or video surveillance.

Although the bills would exempt the monitoring of employees for the purpose of verifying workers' compensation claims, as currently written they would allow monitoring of only those activities "confined to the employee's work." Employees' off-site activities-where workers' comp fraud can best be detected-would fall under that definiworkers' comp claimants to help their employers to detect fraud or abuse.

The House and the Senate bills would outlaw any electronic monitoring for data that are not "confined to an employee's work," regardless of the workers' length

The House bill has narrow exceptions to rules confining monitoring to an employee's work, such as monitoring for suspected criminal activity, but only



Sen, Paul Simon: "Begin now to define privacy-and in particular workplace privacy—as a value worth protecting."

"It would obviously be a real travesty of justice if [Congress] said an employer could no longer check to see if an injured employee is really injured," says William Kizorek, president of InPhoto Surveillance, of Naperville, Ill. His small company does off-site video surveillance of

where the employer can show the activity would cause an economic loss or "injury to the company.

The bills would prohibit electronic monitoring of employee bathrooms, dressing rooms, or locker rooms except when there is a "reasonable suspicion" of criminal activity. Business generally supports these specific restrictions, according to Peter Eide, manager of human-resources law and policy with the U.S. Chamber. But the legislation would also bar using or disseminating personal data obtained by electronic monitoring when an employee is exercising his or her First Amendment rights, a broad, vague caveat that Eide says could allow employees to send memos with racial epithets through computer E-mail, for example.

Hearings were held earlier this year at the subcommittee level in the House and the Senate and in the Senate Labor and Human Resources Committee in November. According to members of the House and Senate labor committee staffs, prospects for further action on the measures during the current Congress, which will sit through 1994, are uncertain. Similar legislation has been introduced in each Congress since 1987.

One thing is clear, however: The controversy over monitoring will almost certainly increase as electronic technologies continue to proliferate in U.S. workplaces.

Some Guidelines For Employers

Whether legislation to limit employee monitoring is adopted or not, lawyers who know about electronic monitoring suggest that employers who use this practice follow these guidelines:

■ Tell employees that they may be

Have a written company policy on monitoring, post it where employees will see it, distribute it to workers, and have them acknowledge in writing that they have received a copy of the policy and that they understand it.

Restrict monitoring to situations in which it serves a legitimate business purpose, such as training or evaluating workers.

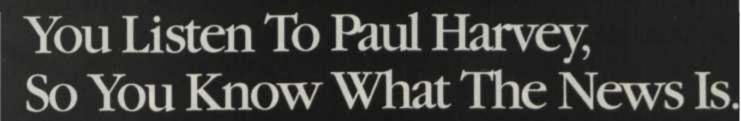
Lawyers say employee bathrooms, locker rooms, and dressing rooms should generally be off-limits to electronic moni-

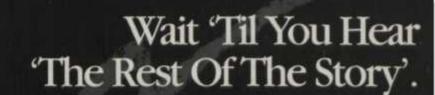
Courts for the most part have not interfered with an employer's prerogative to monitor the actions of employees in the workplace. The U.S. Supreme Court has ruled that although employees have a right to privacy in the workplace, it is not absolute.

Nonetheless, some states place restrictions on employee monitoring and guarantee workers' rights to privacy.

"Employers need to be educated, trained, and sensitized to what the local, state, and federal laws are [on employee. monitoring) and basic concepts of privacy," says Thomas Geidt, a partner with the San Francisco law firm of Schachter, Kristoff, Orenstein and Berkowitz.

In addition, according to Geidt, they "need to be aware of and sensitive to the legitimate privacy interests that employees have."





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When Not To Go With Your Gut

ichard Siegel's shoe stores in New

York and Massachusetts sell chil-

dren's snow boots in August. Pre-

season sales like these help him

pick his customers' brains and determine

what will or won't sell in the season ahead.

"It is a way to set up your inventory so

that downstream you know whether you

have to make corrections in colors or size

long before you get into the heart of the

By Meg Whittemore

shoe shows and watching small shoe retailers "leaving a trail of paper orders with the vendors, shooting from the hip and buying duplicate styles."

For too many independent, small-store retailers, inventory management is a function of instinct. Actually, however, it is careful scheduling and record keeping

that keep a store afloat.

season," Siegel says. As president of Dunkirk Shoes, based in Olean, N.Y., Siegel manages 15 stores that sell moderately priced women's, men's, and children's shoes and accessories. Having grown up in a retail family, Siegel has seen the good and the bad of inventory management. He remembers that his father's shoe store "had lots of white-elephant shoes in the basement" that never sold. He remembers going to

"Eighty percent of these gut operators who say they know what their customers want and make their buys accordingly are always in trouble because their cash flow is stuffed away in boxes of unsold merchandise in the back room of the store." says Joseph Siegel (no relation to Richard), vice president of merchandising for the National Retail Federation, a retail trade group based in New York City. A

former retailer who used to own 14 women's clothing stores in northern New Jersey, Siegel now advises small retailers on effective merchandising and inventory

Forget instinct. Careful

scheduling and record keeping are the hallmarks

of effective inventory

management.

"There are only two things in life that improve with age, and inventory isn't one of them," Joseph Siegel says. "Inventory is the largest single asset in a retail company. It is the cash flow of the business." A store's inventory, he says, represents a retailer's merchandising philosophy, buying decisions, and customer satisfaction. Inventory, according to Siegel, is the center of the retail wheel.

How do you reverse a pattern of overbuying? Start by understanding that every product has a different shelf life and that allowing inventory to age beyond its prime selling cycle without markdowns is the first step toward inventory misman-

"If there is one word to describe proper



Martha Morgan of Metropolitan Apparel Group: When it comes to inventory, "more is not always better."

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RETAILING

inventory management, it is discipline," says Martha Morgan, president and founder of Metropolitan Apparel Group, Inc., an upscale women's specialty store in Wilmington, Del.

Morgan relies on markdowns to move merchandise that has outlived its season in her 1,000-square-foot store. She buys for six seasons each year: spring, summer, early fall, fall, holiday, and cruise. "I learned that more is not always better," she says. "I structure the inventory to sales projections and use a timing calendar."

The calendar, devised for her by Joseph Siegel, who led a seminar she attended, pinpoints when merchandise should arrive in the store, when it should be presented to the customer, when reorders should stop, and when markdowns should begin. "This is like a cookbook," she says. "It is something to follow."

Morgan says she might extend the schedule by a week in either direction, but she says that in general the formula works well.

"I can see a 5 to 10 percent increase in our gross margins since using this method," Morgan says.

Her gross profit margin, the difference between net sales and cost of goods, is typically 48 percent, while the industry average is 43 percent.

Before adopting her current approach to inventory management, Morgan, who opened her store 14 years ago, was "well-stocked within our merchandise category, just like other retailers of that time," she says. "I was not afraid to order 144 pieces of a style in a multitude of colors because I knew we could sell them."

By the late 1980s, Morgan's approach to managing her inventory changed, prompted by increased competition, shrinking gross margins, and sluggish merchandise turnover.

She explains how she learned to restructure the inventory and develop seasonal merchandising plans. Morgan now buys small collections of clothing: 24 pieces in five different styles.

"We expect to sell 85 percent of that at regular price, which means we have less markdown," she says.

arkdowns, of course, are an important part of inventory management, and they can be instrumental in planning future sales.

Joseph Siegel of the retail federation suggests keeping a record of the number of blouses, sweaters, shoes, etc., that are marked down each season.

"If you marked down a lot of blouses last January, that means you had too many to begin with," he says. Take that information and apply it to your buying

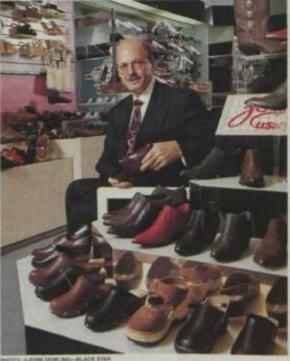


PHOTO: INJUNE DOWN, BUG-MLACK STR

Dunkirk Shoes' president, Richard Siegel, says it's not necessary for each of his stores to have a fully stocked inventory, just access to one.

plans for next January, Siegel advises.

Morgan would agree. "Too much inven-

Morgan would agree. "Too much inventory means higher markdowns, which increases your cost of goods sold and reduces your profit," she says. "Too little inventory reduces your sales capacity."

Her strategy appears to work. Morgan's inventory turns over 4.5 times a year, while the industry average is 1.9 times annually.

Richard Siegel embraced a similar approach to managing inventory when he started Dunkirk Shoes in 1977, "I designed systems that were contrary to

For More Information

The National Retail Federation offers a two-day workshop on the basics of inventory management and merchandising.

Called "Fundamentals of Merchandising," the workshop focuses on planning your inventory stock to meet your customers' needs, timing the receipt of merchandise to maximize sales and minimize markdowns, and understanding the life cycle of merchandise.

The 1994 workshops will be held in New York City on March 3 and 4, June 9 and 10, and Nov. 3 and 4, from 9 a.m. to 5 p.m. each day. The seminar fee is \$495 for National Retail Federation members and \$795 for nonmembers. For more information, call Joseph Siegel at (212) 631-7400. what everyone was doing at that time," he says. "I believed in interstore transfers: If one of our stores didn't have a shoe in stock, we transferred the item from another store instead of ordering another pair from the manufacturer."

That meant each store did not have to have an inventory that was fully stocked, just access to one. Siegel also classified his inventory by customer end use, such as dress shoe, sandal, or sport shoe, instead of by vendor.

"I took notes at the shoe shows and resisted the pressures of the manufacturers to get me to place an order then and there," Siegel says. He classified each vendor's offerings and made comparisons.

"Then I bought broad and thin up front," he said. "I ordered many different styles in small quantities for each store. I had a broad assortment but no depth of stock." If a customer at one store wanted an out-of-stock size or color, Siegel relied on interstore transfers to get the product to the customer within a few days. "I have full runs of merchandise, but I split them between stores," he says.

For the shoe styles that experienced good sales during a preseason sale, Siegel "bought narrow and deep. I overbuy in the styles that are popular during the preseason sales, knowing that the demand will be there when the season hits."

siegel believes in careful record keeping. He computerized his inventory-classification system more than 10 years ago by customer end use, style, size, color, store, and sales trends. "Any deviation in the numbers is the customer talking to us saying she doesn't like the color, size selection, or style," he says. "Then we make adjustments in our merchandise."

Dunkirk Shoes has gross margins of 54 percent or higher, and its inventory turns over four times annually. Siegel attributes his company's success to interstore transfers, inventory tracking, preseason sales, and effective sales associates at the customer level.

It is all a matter of how well a business is managed, "There are no tricks in this business," according to Joseph Siegel, the vice president of the retail federation. "If you want to manage it out of your hip pocket, you will do well for a couple of years until it catches up with you."

If you keep good records, track your inventory through your sales, and make your buying decisions accordingly, "your customers will talk to you through the numbers," Siegel says. "They will tell you every single day what is good and what is bad in your inventory."

Nation's Business December 1993

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Small-Business Computing

A highly capable accounting package; a major advance for OS/2; a solution for organizing business cards.

By Albert G. Holzinger and Ripley Hotch

ACCOUNTING

How Easy Can It Get?

Intuit has released a new version of the best-selling bookkeeping program for small business, Quickbooks.

Version 2 for Windows and DOS does all it can to make accounting chores simple. And it succeeds.

The version for use with Microsoft Corp.'s Windows graphical user interface (GUI) looks very much like Quicken, which is the flagship product of the Menlo Park, Calif., company. But it is far more capable. One measure of capability is how easy it is to get started with a new ac-

counting program. Quickbooks does not require you to choose whether you will use a cash or accrual basis. You don't even have to enter account balances (except for your checkbook, of course).

You can go back and fill in those balances or fill in all of the transactions you want from whenever you choose as a starting date. There are plenty of sample charts of accounts for different kinds of businesses. Setting up is fairly simple.

The Windows version is pretty much matched by the DOS version, though in Windows everything on the screen is updated as you work.

The authors note that Quickbooks is not for companies with large or complex inventories; nor will Quickbooks eliminate all need for contact with a CPA.

Quickbooks hides all of the accounting mystery behind simple terminology and procedures. For example, you record sales and then make a deposit to your checking account. The program creates a holding account so there will be the proper double entry. There is still a general journal, and those who wish can still enter debits and credits directly.

The use of the holding account solves a major problem for many small-business bookkeepers: how to handle credit card transactions. Essentially, you make two deposits, one into the holding account and the other into your checking account



Quickbooks makes accounting chores simple.

when the credit card payment comes to you. Because there are account balances for all of the accounts, you can see right on screen what is due to you from any holding account. When the payment comes in and you make the second deposit, you deduct the fees, and Quickbooks keeps track of it all. It isn't that you can't do the same thing in other accounting programs. You can, but it takes considerable skill to do so.

Quickbooks makes entering repetitive data as easy as it can be. If you have several items that you regularly include on an invoice, you start typing the name, and Quickbooks fills in the rest.

Reports are attractive and excellent, and they include a number of graphs and charts. You can call up the detail behind any transaction in a report. We particularly like the cash-flow projections, which get quite accurate after several months of transactions.

Quickbooks lets you track jobs and budgets for individual jobs. It will also track reimbursable expenses as you incur them, so you can pass them on to clients.

Quickbooks does not have a payroll module, though it includes lines for payroll and benefits. You can also buy Intuit's payroll product, Quickpay, separately, and it will work with Quickbooks.

When we looked at Quickbooks almost two years ago, we felt it was a revolutionary product with great potential. Users agreed, but often found the program too rigid. That will never be said about Version 2.

AT FIRST GLANCE

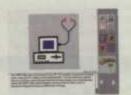
Software Deal Of The Year

Borland International Inc., a pioneer in selling high-end software at bargainbasement prices, has done it again. The Scotts Valley, Calif., company recently released new versions—all of them numbered 5.0—of its Quattro Pro spreadsheet software for users of all levels of sophistication at incredibly low prices.

At one end of the spectrum there is Quattro Pro for DOS, engineered to wring performance from ancient IBM XT-class machines with as little as 512K RAM. For today's user, there is Quattro Pro for Windows; for small businesses that are fortunate enough to be networked, there is the Quattro Pro Workgroup Edition.

From what we've seen ourselves and heard from computer trade press editors who have worked with the products, this software is hot and astoundingly easy to use. Notable new features include the ability to do extensive data modeling and plot "what-if" and "best-case, worst-case" scenarios with data.

And then there are the prices: Through Jan. 15, 1994, when prices will rise, Version 5.0 for DOS and Windows lists for \$49.95 with a \$10 rebate to customers upgrading from earlier versions. The Workgroup edition lists for \$99.95 with a \$20 rebate for users of earlier versions or those switching from competitors such as Microsoft Excel or Lotus 1-2-3. The programs are available at retailers and mail-order outlets.



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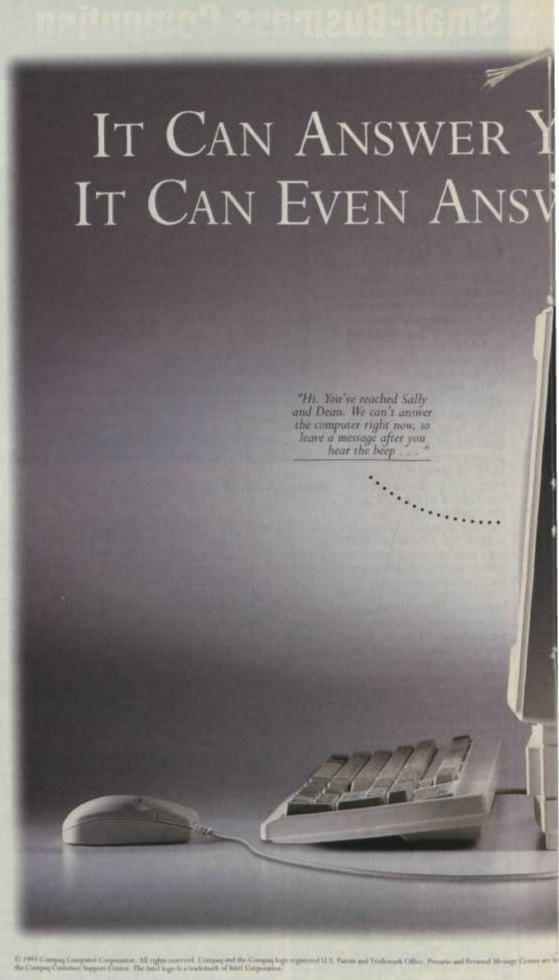
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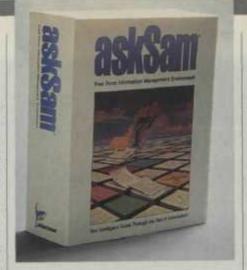
DATABASES

AskSam For Data

Databases can be scary. You have to enter information in a strictly formatted way and search for retrieval in the same fashion. That's fine for many purposes but not for all. Sometimes, you have a mass of unfamiliar material that you'd like to sift through. But it won't be organized according to the "fields" that a database program recognizes. In those instances, you want to be able to use a "Boolean" search that looks for words in various combinations. Library programs of this sort have only recently been available to the average PC user.

A nifty program that has been around, and underrated, for years is askSam, a "free-form" database that allows you to work with all kinds of information, both structured and unstructured, including Boolean and "fuzzy" matches.

AskSam now has been transported to Windows and offers a nifty database tool for messy minds. You can create structured databases, or use askSam's templates to create them (a to-do list, for example, or a calendar, or a mailing or



AskSam is a useful database tool.

phone list). In that use, askSam is a very good personal information manager.

But the program goes much further. You can import all kinds of information from other sources and search through it according to various criteria. Even our favorite free-form personal-information manager, InfoSelect, can't do that. The searches are very fast indeed.

The program also contains a word

processor that allows you to create documents of your own by clipping the appropriate parts of material from your search. Reports become much easier to create when you can search for, say, a time between certain dates, or a vague subject you remember touching on some time

You can also use the program as a structured database, complete with fields. This multiple capability has caused askSam problems over the years because no one could say exactly what this program was. The creators know that their program is an information manager-but not just a personal information manager.

In a world in which information pours down on us from every source, being able to find what you want quickly is becoming both more crucial and more difficult. The object of the program, according to Phil Schnyder, president of askSam Systems, "is to make managing information as easy as using a word processor."

For the most part, the program has succeeded. There are a few peculiarities, as there are with any program, but these are quickly mastered, and then the program feels quite natural.

The suggested retail price of askSam is

OPERATING SYSTEMS

OS/2 Takes A Giant Step

IBM's PC operating system for the future, OS/2, impressed us mightily in its Version 2.0. Now, a year later, we have Version 2.1, which is more than just a minor revision.

IBM knows that it will be some time

before several million computer users will need the power of the new operating system. So it has chosen to offer a smooth upgrade from DOS or Windows to its more powerful operating system. To do that, it has to conform its system to what other software writers are doing, and that means writing hundreds of "drivers"-software that allows the program to communicate with various kinds of hardware.

Given the hundreds of possible configurations that PCs can have with all of the different devices and boards out there, IBM has done an amazing job with OS/2. Its installation is smooth, and it asks you if you want to "migrate"

your current applications to the OS/2 Desktop (where programs and files are represented by folders and icons). It doesn't look like Windows, but it can be made to look that way.

Once the system is operating, you can do multi-tasking-running different programs concurrently. It operates DOS programs better than DOS, and while it isn't quite a "better Windows than Windows," as promised, it does run many programs faster than Windows does.

In one installation, we did run into the kind of problem that is inevitable: We installed OS/2 from a CD-ROM. Then, OS/2 itself could not recognize the CD-



OS/2 lets many programs run at once.

ROM to install the driver it needed. IBM's technical help was terrific, however. The quality of the support shows the company is serious about making this operating system work perfectly.

WORD PROCESSING

Living Up To Its Name

It has been more than three years since WordPerfect Corp. released an upgrade of its namesake word-processing program for PCs running DOS. During the interim. the Orem, Utah, company has devoted its efforts to developing versions for the graphical operating systems: Windows, OS/2, and System 7.

Consequently, the new Version 6.0 of WordPerfect has the most graphical look and feel of almost any DOS-based software we've seen. For example, users can highlight text and, using a mouse, drag it anywhere in a document and drop it in place. The screen has a complete array of Windows-like tool bars, buttons, and dialogue boxes; what you see on the screen is what you get from the printer (WY-SIWYG).

The new WordPerfect, however, is more than a Windows wannabe. Cuttingedge features include a built-in spreadsheet tool, support for faxing documents from within the application, and contextcalled Coaches. tutorials WordPerfect claims Version 6.0 has 639 new features in all; we'd be hard-pressed to dispute the claim. The list price is \$495 for new users, \$129 for those upgrading from an earlier version, and \$149 for those switching from a competitive product.

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Prices are \$1,750 to \$12,000, depending on capacity needed. For more information, call (805) 583-8600.

A Modem Designed For Portables

Most of today's new notebook or subnotebook computers feature one or more slots for peripheral devices such as network adapters and modems that conform to standards established by the Personal Computer Memory Card International Association (PCMCIA).

One such peripheral that will do any

portable computer proud is the combination modem from Practical Peripherals Corp., the PractiCARD 144. This device, about the size of a credit card, fits into any PCMCIA Type II or Type III slot and

provides all of the capabilities of conventional faxes and modems.

Features include data transmission at 14,400 bits per second, Quick Link II software (for Windows or DOS) for fax and data communications control, all necessary cables, and a lifetime warranty.

The list price is \$499, with discounts available at retail and mail-order out-

How To Organize Business Cards

Card Grabber, by Pacific Crest Technologies Inc. of

Newport Beach, Calif., is an elegant hardware-software solution to the problem of organizing business cards.

The hardware component consists of a compact scanner and power supply that together weigh about a pound. Because the scanner plugs into a PC's printer port rather than requiring the user to add a

board, it's the only device of its kind we know of that will work easily with notebook as well as desktop computers.

The software has two components. The first, optical character recognition (OCR),



Card Grabber scans information from business cards.

converts the printed images on the business card into text. The OCR software is "intelligent," meaning it identifies the likely name, title, company name, address, and telephone and fax number, and it enters them in the appropriate fields in the software's second component, which is an electronic address and phone book.

The address and phone book, which works under Microsoft Windows, is powerful yet easy to use, and it can be customized in several ways to meet your needs.

Pacific Crest is pricing its hardwaresoftware bundle at \$399, though some discounts will likely be available from retailers and mail-order outlets.

For more information, call 714-261-6444.

Video Card Improves A Computer's Graphics

In a world where a fast video board-the card that sends data to the monitor-can have a tremendously positive impact on overall computer performance, the fastest card we've ever tested is the Matrox MGA Impression.

This 64-bit graphics accelerator (most other cards are 32-bit) simply outraces the competition, allowing you to upgrade your computer to a professional level of graphics processing at a relatively modest price (\$1,299 list).

The board, available for normal and new local-bus VESA video architectures, can display up to 256 colors at resolutions of up to 1,600 by 1,200 pixel or 16.7 million colors at 800-by-600-pixel resolution.

For uncompromising graphics performance, this is the best add-in board we've seen. You can call Matrox at 1-800-361-1408

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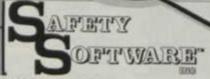
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Turning Trash Into Profit

By Laura M. Litvan

ne day three years ago, managers at Crib Diaper Service Inc. decided to hunt for better profits in a most unlikely place: their trash bin.

The Crystal, Minn., company was paying to have garbage hauled away three times a week, and managers at the \$2-million-a-year cloth-diaper service wanted to cut trash collection expenses. Environmentally conscious executives at the company were also happy to ease the burden on the community's landfill.

Snooping among the garbage container's contents, executives saw that old soft-drink cans, crumpled boxes, and other castoffs were only a small part of the problem. The real culprit was lint from the 250,000 cloth diapers that went through the company's driers each week.

With some research, the company found a few takers for its fluff. Now, students at three Minnesota art schools use lint donated by the diaper firm in making molded sculptures and art paper. In a cradle-to-grave twist, discarded lint also goes into the linings of coffins made at a nearby plant,

"The overall program reduced our Dumpster pickups from three times a week to once every other week," says Douglas Flatz, president and chief executive officer of the family-owned company. Total savings this year, he says, will be about \$3,000.

Like the Minnesota firm, other small companies are finding that strategies that are good for the environment don't necessarily have to threaten profits. Armed with research on product packaging, recycling, and energy efficiency, many are designing environmental plans that cut their costs and, in some instances, bring in new revenues.

"If you understand your business and you look for opportunities, you can have a very positive impact on the bottom line," says Claire Canty, co-author of Packaging for the Environment: A Partnership for Progress (ANACOM, \$27.95).

Environmentalists say the diaper serv-

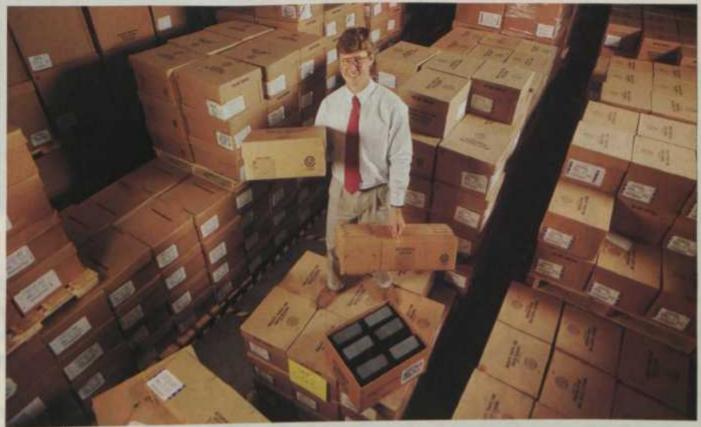
discovering that what's good for the environment can also help the bottom

Small enterprises are

ice's strategy-a "waste exchange" in which it found markets for its trash-is slowly taking hold. By far the most common environmentally friendly approach among businesses, however, is an old mainstay: energy efficiency. Lighting, cooling, and heating comprise more than half of a typical firm's energy bill, and many companies are taking advantage of free advice from utilities and government agencies eager to help them cut energy consumption.

"Over time, an investment in energy efficiency will pay off," says John Ortbal, president of the Chicago-based Services Marketing Group, which publishes business guides on safeguarding the environment. "The biggest chance to save is in energy efficiency."

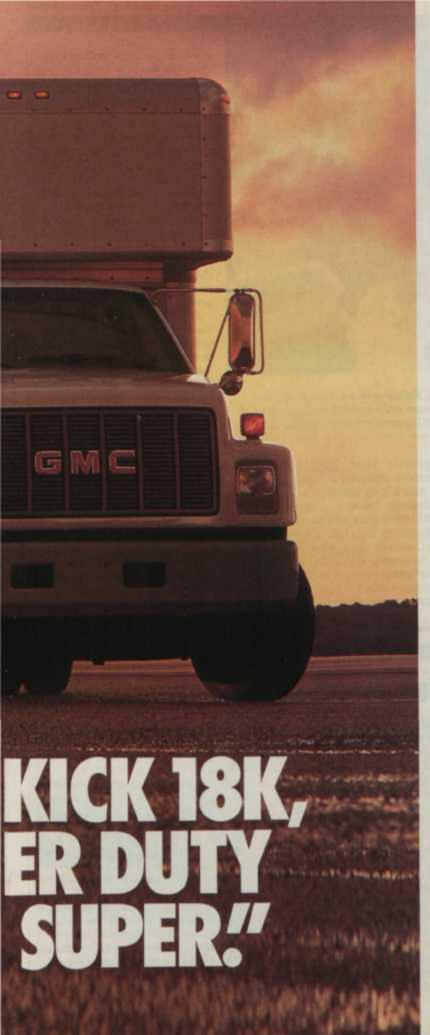
Colonial Pacific Leasing Corp., a Tualatin, Ore., equipment-leasing firm, is beginning to realize these benefits. With technical help from the U.S. Environmental Protection Agency's Green Lights energy-efficiency program, the company



Charlie Catchpole, purchasing director of Webster Plastics Division, in Webster N.Y., says his company has saved money by reusing the cardboard boxes in which it ships plastic automotive components.



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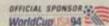
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ENVIRONMENT

in 1991 switched to a new type of fluorescent lighting for its 32,000 square feet of office space. The new fixtures require fewer tubes and less electricity to produce the same amount of light. The company also installed motion detectors that turn lights off in unoccupied conference rooms.

It cost the company \$59,000 to purchase the lights, but Portland General Electric Co., which supplies the firm's power, is giving the company a \$12,000 rebate, says Sam Norbeck, Colonial's manager of office services. Norbeck says annual savings on electric bills will be about \$5,200. For firms facing rising energy costs, he adds, "something like this can affect whether you're in business a year from now."

Under another EPA energysaving program, called Energy Star, computer makers representing 80 percent of the U.S. market for desktop computers and laser printers have agreed to introduce products that automatically shut down when they're on

but not being operated. In return, the EPA is helping to market the computers by touting the products' benefits to buyers. In addition, since October, all new computers purchased by the federal government must comply with Energy Star standards. (See "Color Your PC Green And Save Energy," in Small-Business Computing, in the November issue of Nation's Business.)

Another way to save is to reduce packaging. Webster Plastics Division, in Webster, N.Y., a 125-employee subsidiary of the



Sandy Ross, left, and Kathleen Ward Hoiseth of the Minnetonka Art Center make molded sculptures out of lint donated by Crib Diaper Service of Crystal, Minn.

British corporation Bunzl PLC, makes plastic automotive components. The firm uses what it calls a "loop" approach to keep cardboard delivery boxes in continuous circulation. Webster's main customer, Delco Chassis, a Rochester, N.Y., unit of General Motors Corp., unloads the boxes and then sends them to nearby H.P. Neun, Inc., a package-refurbishing company in Fairport, N.Y. That company sells the boxes back to Webster Plastics, which uses each one up to 12 times.

Citing competitive concerns, Webster

Plastics managers declined to disclose the savings from the program, but Charlie Catchpole, the division's purchasing director, said the used cardboard boxes are less expensive than the virginfiber boxes it used to buy. While managers say they are pleased that the arrangement has environmental benefits, they say the projected cost savings clearly drove their decision making.

"I myself am very much an environmentalist," Catchpole says. "I like to see these kinds of programs go on. But obviously, these being lean economic times, everyone has to pursue every avenue they can to save costs."

Other companies that minimize their packaging include Stonyfield Farm Inc., a London-derry, N.H., maker of creamy yogurt. The 100-employee company originally used a plastic container that managers thought could be recycled by melting it into liquid plastic to be made into new cups or other products.

As it turned out, the yogurt cup required a higher melting temperature than most plastic containers, making it unrecyclable. The company decided a better strategy would be to save on materials, and switched to a container that uses 20 percent less plastic.

Stonyfield Farm's president, Gary Hirshberg, says cost savings as a result of using less plastic this year will be about \$60,000. The company, which expects 1993 revenues of about \$22 million, now wants to create a market for its new containers by finding a firm that will turn yogurt.

Resources That Can Help You

Here are some free or low-cost resources available to help companies find cost savings in environmentally sound activities:

- At no charge, companies interested in using recycled products can join the Buy Recycled Business Alliance, which was organized by the National Recycling Coalition in Washington, D.C. Members receive a free guide to purchasing recycled goods, lists of recycled office products, and a quarterly newsletter. Call (202) 625-6406.
- The U.S. Environmental Protection Agency's Green Lights and Energy Star hot line provides information about EPA programs that help companies switch to energy-efficient lighting and computers. Companies have access to technicians, workshops, and tips on fi-

nancing their lighting and computer upgrades. Call (202) 775-6650.

- The U.S. Conference of Mayors operates a National Office Paper Recycling Project. Any company can receive up to 20 free copies of the organization's guide to launching a recycling program. The booklet includes tips on negotiating agreements with waste haulers and dealers who, in some areas, pay for white office paper. It also lists recycled paper products and helps companies evaluate the cost effectiveness of using those goods. Call (202) 293-7330.
- Xerox Corp. has produced a book, Business Guide to Waste Reduction and Recycling. It offers tips on how to get everyone in the company involved in a recycling program. Among other suggestions, it has a lengthy listing of associa-

tions and state agencies that offer additional resources. Available free to Xerox customers, \$25 to anyone else. Call 1-800-445-5554.

- The Business Environmental Handbook (Oasis Press, \$19.95) has information on energy efficiency, recycling, and cutting back on the use of hazardous materials. Call 1-800-228-2227.
- Local electric and gas utilities often offer rebates and technical know-how to businesses that want to reduce energy consumption.
- Most state environmental-protection agencies have free advice for companies that want to recycle. Some can refer businesses to waste-exchange programs, which introduce companies with recyclables to other companies that may be able to manufacture goods from the materials.



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The more you know, the better you feel." lovers' used cups into, among other things, gardening tools.

When it comes to recycling waste and buying recycled materials, there can be some disadvantages to being a small company. "In terms of purchasing, it's a lot easier for larger companies," says Elizabeth Burger, assistant marketing manager of the Seattle-based Clean Washington Center, a state recycling program. "They can get a break by buying in big volumes."

But paper mills and other makers of office products are developing cost efficiencies in their manufacturing processes for recycled goods, and prices for many

items are coming down.

For example, Eberhard Faber Inc., a major pencil maker in Parsippany, N.J., in August announced a price drop for its Ecowriter pencil, which replaces wood with recycled cardboard and newsprint. The suggested retail price for each pencil is now 15 cents, about 10 percent lower than wood pencils.

Like the diaper company in Minnesota, businesses that recycle can often save by reducing their trash-hauling costs. Because trash haulers aren't typically interested in picking up small quantities of recyclables, however, some small firms are striking up informal arrangements with other companies to consolidate their trash.

At Fair Lakes, a 10-building office park in Fairfax, Va., 85 tenants are benefiting from such a program. In 1990, Fair Lakes Management, which oversees the buildings at the campus-like complex, began recycling white office paper, aluminum cans, and cardboard boxes. The tenants set aside the material, which is picked up each week from a centralized bin. Recycling the material reduces garbage collection fees, which in turn cuts rent. The paper is sold. Overall, the office park saves \$40,000 a year.

"This type of thing probably would be impossible for each tenant because it would be such a small amount of waste," says Jason Salsbury, director of operations for Fair Lakes Management.

Isewhere, companies are recycling alone and making money in the process, but this requires researching the local market for recyclable materials and a lot of phone calls to locate someone who wants the castoffs.

Pat Berger, a co-owner of a Coldwater, Ohio, printing company, says he has increased his company's profits by about \$7,000 to \$8,000 a year by selling or giving away part of his garbage. Mercer Color Corp., which has eight workers and \$900,000 in annual revenues, recycles aluminum plates, photographie film, plastic, ink, office paper, and cardboard. Berger says he makes about \$2,300 annually from sales of recyclables. The rest of the benefit is in

Strategies For Reducing Waste

Here are some of the steps a company can take to reduce waste and save energy:

■ Designate a team to develop a broad plan. Make sure different departments or types of workers are represented to generate a broad base of ideas.

Reduce the amount of office materials used. Cut down the size of business forms, and print on both sides of paper. Copy on demand, instead of running off big quantities just in case they might be

Find ways to reuse items. Consider using retreaded tires on company trucks. Instead of buying new wooden pallets for the factory or warehouse, try to repair damaged ones.

Analyze waste to find what can be recycled. White office paper and aluminum cans are a good starting point; they generally have high market value. But

also consider glass, plastic, newsprint, and magazines. Shop around for dealers who will pay for your trash or others who will take it off your hands.

Look for alternatives in product packaging. Shop around for economical recycled materials that can be used, or find ways to use smaller packages.

■ Invest in energy-efficient fixtures and install motion detectors. Put more insulation in walls, doors, and roofs to keep air-conditioned or heated air where it belongs; inside. Look for computers that automatically reduce their power consupmption when not in use.

Explore the market for recycled office products. Recycled paper and many other goods will continue to become more affordable. Consider forming a buying coalition with other small firms to help

negotiate lower prices.

reduced trash-collection costs. The market for the recyclables he sells—the aluminum. office paper, and ink-changes constantly. The money Berger gets for aluminum plates, for example, ranges from 20 to 40 cents a pound, depending on demand. But he says the time he spends researching the market is worth it.

"If a guy does his homework, he can make some money on this stuff instead of junking it," Berger says. "All the information is there. It's a matter of making the



. To order reprints of this article, see Page 76

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Handling A Crisis Effectively

By Roberta Maynard

ome major corporations in recent years have drawn widespread attention because of potentially devastating business crises they suddenly faced. The need for effective public relations is not just a big-business concern, however. Small firms, too, can encounter serious business problems that can attract unwanted scrutiny.

In this age of heightened consumer awareness and rapid news dissemination, preparing to manage crises and respond under fire can help mitigate the effects of almost every kind of problem, ranging from allegations of defective products to

workplace accidents.

Why plan? "Every decision you can make before a crisis is apt to be more rational than when you are in the middle of it," says Hal Warner, executive vice president and director of crisis management for Manning, Selvage, and Lee, a public-relations firm headquartered in New York. If you have prepared for the crisis, Warner says, decisions will be more rational and better received, and the crisis will be of shorter duration.

To prepare a plan for your company, talk with key employees about what could happen, however unlikely, List categories of crises, such as "accidental" (a chemical spill) and "criminal" (product tampering, terrorism). Discuss the worst possibilities.

Determine who will notify families if

workers are killed or injured. Formulate procedures for evacuating employees, protecting inventory from damage, and carrying on routine business if, for example, electrical power fails, or a strike takes place, or a major supplier goes bankrupt. Decide on a procedure for contacting vendors and suppliers.

Designate a spokesperson, a clearthinking and articulate individual who has a day-to-day grasp of the business and who knows how to convey key messages. If the spokesperson is to be the CEO, name a backup authorized to represent the company if the CEO is away.

If a situation calls for talking with the news media (or suppliers or customers), do so without delay. Maintain a list of news personnel to be contacted and relevant data about the company that might be needed to respond to their questions. "Anticipate the mind-set of the public," Warner says. The more quickly the company responds, the more likely it is to take action, people believe. "There is a very small window, usually within hours, depending on the seriousness of the situation," he says.

Companies not only must come forward quickly but also must provide the right information. People want the truth. This was demonstrated by the results of a recent survey by the public-relations firm of Porter/Novelli, based in New York.

The survey respondents stated the

company comes under scrutiny? Here's how to sharpen your publicrelations skills.

Will you be ready if your

leading causes of their anger about crises: when the company involved refuses to accept blame or responsibility, when the crisis could easily have been avoided, when the company supplies incomplete or inaccurate information, and when the company places corporate profits ahead of the public interest. Ninety-five percent of the respondents said they are more offended when a company lies about a crisis than they are about the crisis itself.

Similarly, a "no comment" response—
regardless of how wise it may seem from
a legal perspective—will hurt a business
in a crisis rather than help it. (See the
charts on Page 55.) "You may not be able
to say much, but you can say something. If
all the facts aren't there, get out and say
so," Warner says. He advises that the
public and the news media be told that
"you will share the information as soon as
you can, no matter what it is. This says,
"We are taking control of our crisis."

rying to "correct" the public's perception of the facts can be an uphill, even unwinnable battle, as hundreds of local United Ways discovered following the management scandal that rocked the United Way of America two years ago.

When the news broke that the United Way of America's president and CEO at the time, William Aramony, had allegedly used organization funds to finance a



luxurious lifestyle, local United Way offices were besieged with calls, several to cancel pledges.

"Contributors were upset because they thought that their money went to this man's pocket," says Chris Salerno, director of marketing and communications for the United Way of Henderson County, in Hendersonville, N.C., which serves a community of 80,000.

The local organization's challenge was to get the word out quickly that it is an independent entity run by community volunteers who set policy and determine funding to meet their community's needs.

No more than 0.75 percent of the money raised by the Henderson County United Way goes to the United Way of America, which is based in the Washington, D.C., area. The Henderson County group's board of directors suspended payment of those annual membership dues for several months, and Salerno's office produced mailings, newspaper ads, and radio public service announcements. But eight months later, people were still asking where their donations were going. "People's perceptions are what they believe," Salerno says. "Reality, sometimes, is a distant second."

The national United Way scandal, along with the weak economy, took its toll on the local group's annual fall fund raising. The Henderson County United Way fell short of its 1992 goal of more than \$1 million, and for the first time, it had to run a second campaign, in early 1993. The group raised an additional \$40,000, still \$50,000 short of its goal.

"We never did feel we had overcome the problem," says Salerno, one of four paid staff members. "We couldn't seem to impress upon people that we are not part of the United Way of America. It tarnished the image. And we expect that we'll be dealing with it for a few more years."

basic tenet of crisis management is that a company must demonstrate that it cares, particularly if there are injuries or deaths and regardless of whether or not the company contributed to the accident.

Ralph Erben, CEO of the Luby's restaurant chain, knew how to respond. In the fall of 1991, a young man drove a truck into a Luby's restaurant in Killeen, Texas, at lunchtime, killing 23 people. Erben was meeting with managers in another city when the call came. He boarded a helicopter, arrived at the site within two hours, and remained there throughout the days that followed.

The afternoon of the disaster, Erben directed Luby's to donate \$100,000 to set up a fund for families of victims. Before talking with the 150 reporters gathered at the restaurant, he met with the employees of the Killeen restaurant.

The restaurant was closed for more

than five months while the company decided whether to reopen. During that time, all 42 employees were kept on the payroll. The store reopened at last to long lines of supportive customers. The CEO cared, and everyone knew it.

A small plating company in the Northeast recently lost five employees who died from vapor created by the improper mixing of chemicals. Although the company was not at fault, it demonstrated its commitment to the community by buying an expensive piece of equipment for the fire department that had responded to the call.

Consumers' Perceptions About Companies In Crises

More than 1,000 randomly selected adults took part last June in a nationally representative survey to measure Americans' recall of corporate crises and public perceptions about them.

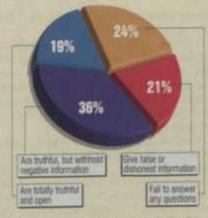
"No Comment"="Guilty"

When asked if they agree that when a company spokesperson declines to comment, it almost always means that the company is guilty of wrongdoing, 65 percent said yes.



Degrees Of Truth

Fifty-seven percent of the respondents said they believe companies either withhold information or supply false information during a crisis; only 19 percent said they think companies are totally truthful and open. Here's how the survey participants perceive companies' responses to crises:



The survey was commissioned by the Portschlovelli public-relations firm, in New York City, and was conducted by National Family Opinion, an independent research company in Grennerch. Com. ven when a company makes all the right moves during a crisis, it can be undermined if its actions are inconsistent with its public image, public-relations experts say. "You bank goodwill," says Hank Moore, general manager of Read-Poland Associates Public Relations, in Houston. "No one is immune to a crisis. If a company has a public-bedamned attitude, it will come back to bite them."

A private hospital in Inglewood, Calif., found that solid ties to the community coupled with competent media relations can save the day when a crisis strikes.

In April 1992, when the verdicts were announced in the Rodney King beating case in Los Angeles, Daniel Freeman Memorial Hospital found itself involved, although it was seven miles from the flash point of the rioting. The hospital's role began that evening when the first riot victim arrived; a little later, Reginald Denny, who had been pulled from his truck and severely beaten by rioters, was brought in.

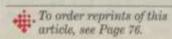
The hospital followed its crisis communication plan. A spokesperson provided updates to the news media every 15 minutes. Extra staff members were called into the public-relations department to handle calls, and hospital executives were available to talk to reporters.

From a public-relations standpoint, the hospital shone, but it suffered a financial setback. The private, 350-bed, acute-care facility wanted to demonstrate that it would help anyone who came to its doors regardless of ability to pay. Over the next five days, 250 riot victims were treated there; 47 were admitted. Eighty percent had no means of payment.

The riots also delayed the opening of a new obstetrics department. The one-month delay, along with the cost of treating nonpaying riot victims, resulted in a \$1.5 million loss of revenue for the hospital. The shortfall had a "significant impact on an internal reorganization plan already under way," according to Mary Ellen Brown, the facility's public-relations coordinator.

Throughout the crisis, the hospital benefited from relationships it had built with other companies through its membership in local business organizations. Various businesses worked with the hospital on fund-raising events, which produced \$700,000 to offset the revenue loss.

When it comes to crisis management, "good performance is the best public relations," Hal Warner says. "A company's action in a crisis can be summed up in one phrase: 'Do what is right.' Ask yourself if it were my family, my home, my community, is this what I would want done?"



Treating Drivers Like Customers

By Julie Candler

nhappy drivers can be unproductive employees. And when disgruntled people make a sales call, a service call, or a delivery, they can leave a bad impression of the business they represent. Companies that take steps to ensure that employees who drive on the job are happy have different

"I like to think that I have a very good relationship with my drivers," says Mark Petersen, fleet manager for L&F Products, the Montvale, N.J., producer of Lysol and other household products. "I know most of them, even though there are 360, and I'm available if they want me on the phone." In addition, he says, the

pays to keep them happy and in the loop.

for Milwaukee Electric Tool Corp., based

Employees who work on the road represent your company at every stop; it

for Milwaukee Electric Tool Corp., based in Brookfield, Wis., agrees that a spelledout policy eliminates confusion. His company's guidelines remind employees to
wear seat belts at all times and that they
could be liable for engine repairs if they
don't have the oil in a company vehicle
changed at least every 5,000 miles.



To help his drivers avoid long periods away from home, Jerry Sheehan of Leprino Foods has them relay shipments. Conferring with Sheehan is a driver, Sam Gillette.

approaches, but their goals are the same: improving the workers' productivity and enhancing the companies' reputations.

"I treat the drivers like customers," says Patsy Brownson, president of the National Association of Fleet Administrators (NAFA), based in Iselin, N.J., and fleet administrator with Cox Enterprises, Inc., a newspaper and multimedia company based in Atlanta.

"That's what fleet managers are for, to give them the vehicles they need to do their job," she says.

Managers of car and light-truck fleets that are used in sales and service recommend a friendly approach. If there aren't too many drivers in your fleet, try to be on a first-name basis with them, the fleet managers say. drivers know they can depend on him for accurate information.

Petersen says it is also important to uphold company policy consistently. He says his drivers, most of whom are salespeople, try to sell him on making exceptions to the rules, but he maintains good relations with all of them by declining to do so.

Safeway, Inc., based in Oakland, Calif., spells out the company's policies in published guidelines. The information, handed out by Pat Rishell, manager of the company's automotive fleet, tells drivers "what we expect of them." In addition, the guidelines say "what they can expect of us," she says. Rishell was NAFA's administrator of the year in 1992.

Gary Schmitt, national fleet manager

Letting Drivers Pick Vehicles

When acquiring cars and light trucks, consider allowing drivers to help choose, some fleet managers suggest. Petersen, L&F Products' fleet manager, has his drivers make a choice from one of five four-door sedans that he has selected. "With that list, I know I'm getting the most cost-effective cars for the fleet," he says. "It gives me better control and keeps drivers happy."

Some fleet managers give their drivers even more choices. Milwaukee Electric Tool's 90 salespeople are expected to drive minivans. They need the cargo space to haul samples of the company's portable, industrial-grade, electric tools. Each driver, however, chooses the vehicle's make and color.

At Cox Enterprises, Brownson's entry-level drivers are allowed to choose any fourdoor sedan priced under \$17,500.

Some fleet managers let drivers choose a vehicle that is over budget and pay the difference. There are limits, says Schmitt, of Milwaukee Electric Tool Corp., which gives its drivers \$15,500 to spend on a company vehicle. "The vehicles must allow the drivers to do their jobs," he says. "Sports cars," for example, "are out, and there must be adequate cargo room."

Schmitt says he let one of his drivers pay \$9,000 extra to buy and use a customized full-size van as a company vehicle. The driver also paid an additional amount in advance for the extra fuel the larger van would burn during its 70,000-mile vehicle life. "We want to keep drivers happy," Schmitt says, "but I don't want it to be at my expense."

Schmitt says giving drivers a choice has worked. "Ten years ago we used to provide drivers with bare-bones white

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cars. At replacement time, we got back banged-up, poorly maintained cars. Employees treated a company car like a pen or a pencil, something to use up and throw away. Now that they have input on what they are driving, even down to their choice of color, they have pride in their vehicles and take better care of them."

One potential disadvantage of this approach, according to Brownson, is that while drivers take better care of the vehicles they pick, they aren't always thinking in terms of future resale when they choose. As a result, the vehicles may sell for less than the company would

prefer when it is time to replace them.

Some fleet managers, of course, opt for a uniform fleet. Everyone has the same car in the 350-vehicle fleet that Stanley Sugihara manages for Astro Office Products, Inc., a Gardena, Calif., subsidiary of Canon. "Naturally," Sugihara says, "we choose what is the least expensive and can still do the job. I don't have time to handle upgrades. Drivers want them, but we say no."

Most of the vehicles are driven by technicians who service Astro's copiers, fax machines, and other office equipment in Los Angeles County. For a weekly fee of \$20, the employees may use the vehicles for their personal use. The vehicles

display no logos identifying them as company cars.

Sugihara says employees who don't want to drive a company car can drive their own, and the company will cover the cost of fuel, wear and tear, and insurance.

Some companies have found success giving their employees an opportunity to buy company vehicles at replacement time. Employees, they find, take better care of vehicles they intend to buy.

Another approach is providing drivers with a special credit card that they can use to charge service and repair work to the company or a maintenance firm. Employees who drive on the job like that system because they don't have to spend their own money and then fill out paperwork for reimbursement.

Long Hauls

Some drivers of big rigs have to be on the road for weeks, and keeping these employees happy poses special challenges. "Drivers used to be considered knights of the highways and real professionals," says Jerry Sheehan, vice president of transportation for Leprino Foods, in Denver. "Today that image has disappeared, and the incorrect feeling is that anybody can be a truck driver."

Some drivers complain about lack of communication. "Truck drivers are not included in the loop," says Sheehan, whose company's 250 tractors and 300 drivers transport wholesale cheese to pizza producers across the United States.

"The driver feels like a number out there on the road," he says, "When he comes in to drop off a load . . . he's usually that has been collecting toys for young victims of this past summer's Midwestern floods. Sheehan says a satellite communications system is popular with Leprino Foods' drivers. "They don't have to stop to make a call to the dispatcher, and we can give them their next load. Also, they can be contacted in emergencies."

Time Away From Home

The biggest problem for long-haul drivers is spending two to four weeks away from home, living in sleeper cabs, and showering at truck stops. Their irregular routes and schedules make it difficult to plan

days off and family ac-

Neill Darmstadter, senior safety engineer at the American Trucking Associations, outside Washington, D.C., gives an example: A driver may haul a load from Chicago to Los Angeles. After he unloads, he is sent to Ontario, Calif., to pick up a load and take it to Oregon. From there, he is routed to another West Coast destination. "He may never know when he's going to get home," Darmstadter says.

Jerry Bates, whose company, Bates Media Inc., in Tuscaloosa, Ala., handles driver recruiting and classified advertising for trucking magazines, suggests a "drop-and-hook system." A driver picks up a load and goes part

way to the destination, exchanges trailers with a driver going in the opposite direction, and then heads back.

Jerry Sheehan has found success setting up relay points, with drivers stationed in different parts of the country handling part of a trip, then passing the trailer to another driver. That way, a driver may take a load out for two days and then return.

"If it's done right, it doesn't cost any more," Sheehan says. "It's a scheduling problem because if a truck is late, a driver may have to sit for four to eight hours. The hard part is getting customers to cooperate and give you loads on time. But it's definitely working."

In general, according to David Kolman, driver satisfaction is a function of how a company feels about its employees and how they feel about the company

how they feel about the company.

"The driver," Kolman says, "is the contact between the shipper and the customer, so it's important that the driver should be a happy fella."



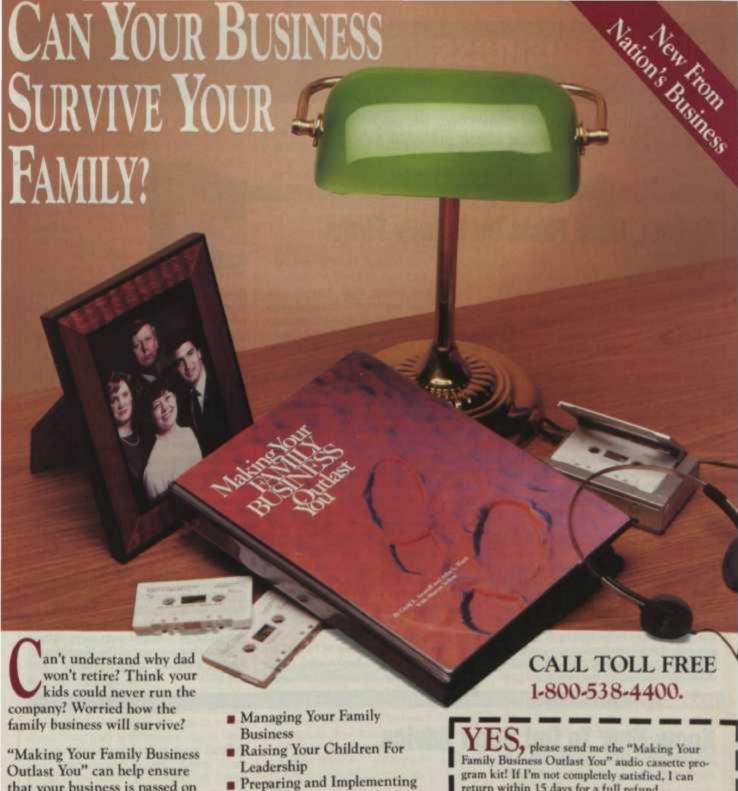
Gary Schmitt, center, national fleet manager at Milwaukee Electric Tool, lets his drivers choose the vans they drive. With him are Jim Blank, left, regional manager, and John Ferrell, district manager:

lucky if he has a spot where he can come into the building. They don't want him to talk to employees. He feels unwelcome and alienated from the rest of the world."

Sheehan suggests that when a driver calls in, dispatchers should refer to the driver by name, not truck number.

avid Kolman, of Baltimore, editor of Truck Sales and Leasing magazine, frequently drives on weekends for a private carrier. He also laments the lack of respect accorded drivers. "They are not treated by their employers as professionals or integral parts of their companies," he says. "There should be some lines of communication so drivers know what's happening in the company."

Some companies publish newsletters to keep their drivers informed. Arrow Trucking Inc., of Tulsa, Okla., for example, distributes a newsletter that covers safety tips, winter driving and maintenance, and a Trucker Buddy campaign



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Family Business

A welcome, comprehensive survey, the pitfalls of making decisions alone; a clash between siblings.

OBSERVATIONS

At Last, Hard Facts On Family Firms

By Sharon Nelton

I've been whining for a long time that we needed research to give us real measurements about family businesses and what goes on inside them. I'm happy to say that the Massachusetts Mutual Life Insurance Co. (MassMutual), based in Springfield, Mass., has given me-and lots of otherssomething to chew on for a while.

In perhaps the largest study ever done on family businesses, the research, conducted by the Gallup Organization, surveyed owners of 614 family firms with 10 or more employees and revenues of more than \$2 million. All were in business at

least 10 years.

"It is the most comprehensive and complete description of the world of family business that's ever been produced, period," said Craig E. Aronoff of Kennesaw State College, chairman of MassMutual's Family Business Advisory Board and a Nation's Business columnist. He presented the study's findings during the recent annual conference of the Familv Firm Institute, in New York. Much of the data has yet to be analyzed, but here are some initial key findings:

■ Eighty-nine percent of the respondents said increasing the business's profitability was among their "very important" or "most important" financial goals. Increasing the value of the business came in second with 76 percent. Last? Providing liquidity to shareholders (28 percent).

Two-thirds of the owners intend to pass on their businesses to a close relative, and about half of those expect to do so within the next 10 years. More than half of these owners (54 percent) have chosen a successor, and one-fourth have a written succession plan.

■ Spouses are involved in day-to-day operations of 40 percent of the family firms. Sons are twice as likely as daughters to be involved (37 percent vs. 16

■ Eighteen percent of the businesses are owned by women. Aronoff suggested this was evidence that "the world of family business is a more inviting place to women than the corporate world may be." Only three of the top 1,000 corporations are headed by women, he noted.

■ Almost 80 percent described their access to capital as "excellent" or "good." The most common sources of capital are operating cash flow, banks, and family funds. A majority (59 percent) of family



firms tie up over half of the family's net worth in the business; 26 percent tie up 75 percent or more in the firm.

What were the surprises? Aronoff said he would have expected 20 percent of the owners to cite business expansion as a priority; instead, 37 percent did so. He thought 2 percent would involve people outside the family on their boards, but 12 percent did so.

In the past, most statistics about family business have been guesswork. Now, for the first time, we have some real numbers, and that is what makes this study a news maker, not merely the numbers themselves but that we finally have some benchmarks against which to measure and analyze family businesses today and in the future.

And MassMutual does promise a future. "This is not a onetime shot," says MassMutual's Robert E. Norman, a vice president for marketing and communications, "We will continue the research."

In my opinion, that's good news. And if you think so, too, and want more details, you can obtain a copy of the MassMutual Family Business Study, by calling 1-800-494-5433.

PLANNING

Know How To Get Good Advice

By John L. Ward and Craig E. Aronoff

It's not the cost of good advice that matters; it's how expensive bad advice or no advice can be.

Family-business owners too often fail to get the quality of advice they need or deserve. As a result, they suffer from errors or mistakes, or, more often, missed opportunities. Several reasons contribute to this unfortunate situation.

While entrepreneurs are viewed as self-confident, ironically, they are often too humble and too unsure of themselves to seek and use the best outside advisers. Smart advisers intimidate some business owners, who become reluctant to call them for help. They fear the advisers will raise roadblocks or questions for which they have no answers.

These concerns hold some truth, Business owners are action-oriented doers; by the time they think to call on their advisers, they are usually fairly committed to a particular course of action. They are used to being in charge-to being the one giving advice, not asking for it. As a result, they often feel that they should have all the answers.

The technical language of lawyers, accountants, and others sometimes seems foreign to business owners. It's uncomfortable to admit you don't understand their advice. In addition, business owners



John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

can be very conscious of how much advice

We can offer two suggestions. First, please call your advisers early, before you take action. Second, keep in mind what one family-business owner has told us: "Intelligence is knowing what you don't know. Wisdom is knowing whom to ask. Success is the courage to do so."

Here are some ideas we've picked up from successful family-owned businesses on how they assure themselves of the best

possible counsel:

■ Bring all of your advisers together once a year to discuss business plans and goals, personal visions for succession, and estate plans.

■ Create opportunities for the advisers to meet your spouse and your mature

Periodically invite each adviser, one at a time, to make a presentation to the board on his or her role and insights about the business.

Our own experience greatly reinforces the last point. Advisers want to present themselves well to the board. They know the outsiders on the board are great contacts.

We also find advisers more attentive to the business and more reluctant to raise fees when they know the board is looking at the relationship between the advisers and the business.

Those who own a family business have another set of fears when it comes to working with advisers. They know, often instinctively, that their key business decisions have an important effect on their family or on their personal financial security. Significant business decisions usually need to be made in the context of estate planning, succession planning, or personal financial planning. Yet too often these subjects are taboo; they churn up unknowns and concerns.

When advisers respond to business decisions by raising such questions, family-business owners often begin to worry about how they will explain these very personal considerations to their families and management teams. Again, they would often prefer to avoid those topics altogether.

Because business owners value loyalty in their advisers as much as in their employees, they frequently rely on advisers who are long-standing friends. With loyalty as a prime consideration, the business owner may not notice when a long-term adviser has fallen behind in his expertise and commitment to professional growth.

The most fundamental question you should ask is, "Have your advisers grown in their businesses as successfully as you have in yours?" Too often, we find business owners whose needs have outgrown their advisers' expertise and experience.

To cope with their insecurities and

Evaluating Your Advisers

Advisers should be both competent and available. You need advisers who:

Visit your facility from time to time and meet your

Send you clippings or other information relevant to your business to show that they are thinking of you and are aware of your particular situation.

Work with many other businesses like yours and share ideas they have learned from such experience.

Introduce you to people you should know.

Look for ways to accomplish what you want rather than merely raise concerns.



concerns, entrepreneurs often follow a predictable strategy: They approach their advisers privately and separately, one by one. Thus, they stay in control of the process. Unfortunately, this strategy greatly compromises the value of the advice. The advisers and the business owner can't benefit from the advantages of different perspectives and different ideas.

Worse, over time, many business owners become totally dependent on the advice of a single person. We've even seen many tragic examples in which familybusiness widows or widowers turn over

the running of the business itself to a longtime professional adviser on whom everyone in the family has become dependent.

While the best advisers may know a lot about business, they rarely know anything about running your business.

We've long argued that leading a family business is the most complicated management task imaginable. Managing the business itself is a full-time challenge. Integrating business decisions with family considerations is even harder. Familybusiness owners not only deserve the best of advice, they also need it.

Dec. 6-7, Cleveland

"Providing Leadership to Quality Teams in Family Business" is a skillbuilding workshop designed to help businesses fine-tune quality programs. Call Don Jonovic or Tom Monroy at Baldwin-Wallace College's Small Business Institute at (216) 826-5927.

Dec. 10, Cleveland

"Financing Growth and Expansion for the Family Business" is sponsored by Baldwin-Wallace College's Small Business Institute. Call Don Jonovic or Tom Monroy at (216) 826-5927.

Jan. 20-21, Longboat Key, Fla.

"Tax-Free Wealth Transfer and Asset Protection" is a conference for family firms worth more than \$3 million. Call the National Center for Family Business at 1-800-598-6404.

Jan. 20, New Orleans

"Strategic Planning for the Family Business" is a daylong session sponsored by the Tulane University Family Business Forum, Call Lina Alfieri at (504) 865-5455.

Jan. 21-28, Ocho Rios, Jamaica

The "Jamaica Family Business Seminar" is co-sponsored by the Goshen College Family Business Program and the Delaware Valley Family Business Center. Call Henry Landes at 1-800-296-3832

Feb. 4-6, Columbus, Ohio

"The Ohio Conference on Estate Planning for Family Businesses" is a weekend workshop sponsored by Ohio State University Extension and Eberhard Planning Services. Call Jim Skeeles at (614) 653-5419 or Ron Eberhard at (614) 871-0114.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-

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Irreconcilable Differences?

Sandra, 25, and Wade, 28, have worked in their father's furniture store since they were children. Now, suddenly, they are the owners. Their father died recently of a massive heart attack. Their mother has never been involved in the business, and it is up to the two siblings to run it and provide an income for her and for themselves.

They had always thought they would make good business partners. But now they aren't so sure.

They disagree on how to handle Al, a long-term employee, and that impasse is causing them to look at each other more critically.

Al has been the store's top salesman for



most of his 25 years there, but at 55, he has health problems and seems to be losing his edge. His reliability on the job and his sales volume are declining. Wade wants to fire Al and replace him with a basketball buddy who Wade thinks would make a great salesman.

Sandra argues that Al has been a faithful employee. "He can't just be put out to pasture," she says. Besides, he has a loyal following in town, and she believes it would be bad community relations to terminate him.

"How can you be so heartless and insensitive?" Sandra asks.

"You're just being soft-hearted and unbusinesslike," Wade retorts.

They wonder if they can remain partners, given their different perspectives and priorities. Meanwhile, they need to do something about Al. But where can they begin?

Become A Team

As in many family businesses, Sandra and Wade undoubtedly had a third party—in this case, their father—to mediate between them. Now, with little practice and no one to mediate, they have a key decision to make. They have little understanding of the nature of their differences and how to work as a team.

Wade wants to terminate Al abruptly and hire a friend who has demonstrated competence on the basketball court, while Sandra is concerned about the impact on Al and the community's image of the store. Such differences often fall along gender lines, with men being more task-oriented and women being more

8

Leslie Dasheu; president, Human Side of Enterprise, in Atlanta, and an associate of the Aspen Family Business Group.

focused on maintaining harmony. More important than gender, however, is how Sandra and Wade resolve their differences.

The matter of how to deal with Al presents a number of important issues, such as accountability for performance and loyalty between the

employee and the company. The new owners must come to terms with their opposing values and their vision and establish a common view. They must also learn how to capitalize upon their differences rather than let them be divisive. If Wade and Sandra understand that both of their perspectives are important, defensiveness and frustration can be replaced by dialogue, yielding solutions. Learning about each other as adults and business partners will help them gain objectivity. A tool such as the Myers-Briggs Type Indicator, a personality-preference

inventory available through family business counselors with backgrounds in psychology, can help them comprehend differences in the way they think, make decisions, and organize themselves, fostering understanding rather than judgmental attitudes.

They can learn to appreciate differences as a way of "covering all the bases," rather than be polarized by the notion that there is one right way and one wrong way of operating. Under such circumstances, it is easy for a difference to set them off, and for each to focus on the conflict over Al as the center of their attention. But it may be that, psychologically, each is projecting his or her anxieties onto the other. Sandra and Wade need to begin at the beginning, assessing

> Dennis T. Jaffe, professor of orgunizational inquiry at Saybrook Institute in San Francisco.

Assess Store's Needs

A lot is being asked of Sandra and Wade right now. They are

recovering from the shock of their father's death and facing the

necessity of taking over a business and supporting their mother.

Young as they are, they are both probably somewhat anxious and unprepared, or even overwhelmed by their responsibilities.



PROTEIN GLINGA WHE ROOT

the business and looking at their roles. This can be very difficult because it involves discussing each other's performance. They may want to call in a trusted adviser or a consultant.

They will need to examine such questions as: Where is the business? What are its pros-

pects for the future? What skills are needed for making it successful? What skills do Sandra and Wade bring to the operation and how well do they do their jobs? What is their vision for the future? What are their own personal development needs? What is their commitment? In taking stock, they will of course look at the personnel, current and projected sales, and the need for change. The problem is not about a particular employee but about what kind of help they need to build the business. Before they fire or hire anyone, it is essential to determine what the

company needs. The key issue for the business right now is weathering the transition brought about by their father's death. His loss is no doubt felt in the business, in the family, and in the community.

Sandra and Wade might be wellserved by recruiting a board of advisers consisting of people they respect who have key business skills and who can help them steer the business and make effective decisions.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

EDUCATION

How High Tech Works In Schools

The computer is becoming an increasingly critical teaching tool in preparing the Nintendo generation for tomorrow's job market.

By Joan C. Szabo and Ripley Hotch

illian Brinkley, principal of the Willard Model Elementary School in Norfolk, Va., says technology is helping to make a difference in the way her students learn. Willard is one of three schools designated by Virginia in 1985 as model schools for the development and testing of new and innovative teaching methods.

Brinkley began integrating technology into the school's curriculum about nine years ago. With special state money approved in connection with Willard's model school status, Brinkley established a computer lab equipped with 28 personal computers. In addition, the money enabled the school to make sure each classroom has at least three computers for student use.

As part of the school's reading and writing curriculum, teachers at Willard are using two IBM software programs that enable young children to write long before they can spell out by hand what their minds are imagining. The programs, Writing to Read and Writing to Write, allow the pupil to proceed through sounds, vowels, consonants, and words. Eventually, the pupil is able to use words on his or her own, forming sentences. "It is interactive software, which is visually stimulating to children," Brinkley says. "I haven't seen a child yet who gets bored when working on these programs."

Students at Willard are showing progress. In 1990-91, 63.2 percent of Willard's fourth-graders passed Virginia's standardized literacy test. In 1991-92, the rate jumped to 70.6 percent, and in 1992-93; it rose to 84.8 percent.

In addition to helping students learn to read, write, compute, and solve problems, technology is playing a critical role in preparing students for the workplace. "Eighty-five percent of all jobs today at a minimum involve technology, so technology is a very important curriculum issue," says Harvey Long, a former IBM employee and a consultant to the American Federation of Teachers, a teachers' union based in Washington, D.C.

In an effort to move into these new directions, some schools are already incorporating new technology, including the



Students focus on a multimedia program developed by EduQuest.

CD-ROM (compact disc-read only memory), the laser-video disc, and the multimedia computer.

CD-ROM technology allows students to gain access to computerized reference sources such as an interactive encyclopedia that has visual images, animations, and videos. A video disc player connected to a television set provides students with educational programming on art, history, and politics. Multimedia computers offer instructional applications that combine a wide range of media, such as sound, video, images, and text, to convey the subject matter.

In a sense, today's classroom has to compete with a multitude of entertainment options attracting young people. "We've got to compete with Nintendo and MTV," says Phil Atwood, program manager of secondary and multimedia solutions for EduQuest, an IBM company. "What I'm trying to do is attract them in this audio-visual world."

States that have done surveys of how much technology is effective in learning have concluded that about an hour a day per child is a reasonable and necessary amount, says Dan Miller, manager of strategy and planning for EduQuest. By that standard, a school should have one computer for every six students.

California has a plan to provide one hour a day of computer learning for elementary students and two hours for secondary students. Kentucky and Texas are committed to a 4-to-1 ratio of students to computers by the end of the century. Nationally, Miller says, schools have about half the number of computers needed to give all students an acceptable minimum amount of time.

The major obstacle to the widespread implementation of technology in schools is often its cost. "Schools can't afford to spend \$13,000 per student station, which is the cost of some of the newer technologies," Long says.

A recent survey by the Na-

tional Education Association, a teachers' union based in Wash-

ington, D.C., confirms that classrooms in many communities lack the most basic technology found in an office environment. Only 12 percent of teachers report that their classrooms are equipped with telephones, which are necessary for computers to tap into certain databases. And while almost nine out of 10 teachers have access to computers at school, computers are today installed in only about half of the classrooms.

ne of the critical technology-related issues for educators is finding the appropriate role for technology in the schools. While virtually everyone with an interest in education agrees that computers are not substitute teachers, they nonetheless also agree that technology does change the teacher's role.

One expectation related to the increased integration of technology in the classroom is that teachers will become more like doctors, or lawyers, or coaches. They will be able to track the progress of each child far more effectively.

Sue Collins, who heads Apple Computer's strategic programs and its alliance for education, says computers make it possible to provide "portfolio assess-ments" of individual students. "You gather up all the work that children do. from creating videotapes, to copies of their handwriting, to samples from sci-ence experiments," she says. "You get a

EDUCATION

good view of the child and how he or she learns. Schools typically haven't been able to do that because you can't afford 20 file cabinets for each child. You can collect that through technology so you have a way of representing the whole child."

The portfolio can tell employers how a particular student matches the real qualifications of a job, and technology, again, can sort through the material to present the relevant facts.

Software from Jostens Learning Corp. gives the teacher far more information about a student's capabilities and needs, says Don Davidson, vice president of marketing. "It senses as a child answers questions what the difficulty level of the next question should be," he says. "Then, after it figures out an inventory of the child's skills, it can recommend an in-

success or failure of technology in classrooms depends on teacher training."

At the Willard Model Elementary School, Brinkley, the principal, says she builds computer training for teachers into the school year. "We have two weeks before school starts, and we have inservice days built into our school calendar," she says. "So we schedule technology training during the two-week period and on some of the in-service days."

Because of its model status, the Willard school is well ahead of most of the nation's elementary schools in incorporating technology into the curriculum, Brinkley says. Nonetheless, schools nationwide are moving toward greater use of a technology that is revolutionizing the classroom. As telecommunications become more developed, individual schools will become more

At Kiva Elementary School, in Scottsdale, Ariz., teacher Sandy McAlpin works with students Tiffanie Palmer, Tanja Cabatana, and Carson Bradley at a Macintosh multimedia workstation.

structional path to the teacher that's part of the curriculum on line." The program also helps the teacher evaluate progress.

Properly used, technology changes the teacher's role in other ways, making teachers far more connected to the management of schools, Collins says.

"Teachers are isolated in their classrooms and don't participate much in management," she explains. "A networked computer with a mail system allows teachers to communicate with each other, share resources, access a database of instructional materials, and communicate with the principal about important decisions."

None of this is easy for a teacher, says Atwood, the EduQuest manager: "For the most part, the colleges of education do not prepare teachers for the use of technology, so they must get it in service. The connected with the outside world and could have access to more resources than any school could now afford on its own.

"We just signed an agreement with the Maryland Department of Education to put fiber-optic two-way lines connecting all the high schools and institutions of higher learning in the state," says Vivian Horner, a director of Bell Atlantic Video Services. "It will be a way of sharing resources and extending research. Colleges can use programs to prepare kids for college or offer supplemental resources that high schools can't afford themselves."

Students will be able to take work home with them on portable computers to access the school's resources from home or do field work while being connected with their own, or other, classrooms.

"A student can take a PowerBook on a

field trip, collect data on site, and transmit it back to their colleagues—other thirdgraders," says Collins of Apple. This kind of analytical work will be more common as students have more resources available, from films to artwork to recorded experiments.

or small businesses, these advances in educational technology could be a real boon. Over the longer term, there are opportunities for small-business software publishers to develop and market services and products that can be used in the technology systems developed by larger companies.

More immediately, Collins says, the technology works equally well for training or retraining workers: "If a school has a computer lab and a small business needed to train people, they could use that facility. And there is a huge set of people—teachers—trained in the art of teaching."

One of the fastest-growing elements of Jostens' business, Davidson says, is software called Invest, a spin-off of the educational software Jostens sells to schools. It's a tool that provides adult education and retraining, and it's found, he says, "everywhere from family centers to prisons."

While individual schools are moving forward—largely based on the funds available—to incorporate technology into their curricula, Congress is considering legislation to help expand the use of technology in schools.

Separate technology bills have been introduced in the House and the Senate. The House bill would authorize \$550 million for technology projects to be administered primarily through the states. The Senate bill would authorize \$338 million, with a large share going directly to needy school districts.

Little progress has been made on either bill this session, but congressional staff members say it is possible that an education-technology measure could pass later in the year.

To keep pace in today's increasingly competitive world, says Sen. Thad Cochran, R-Miss., one of the sponsors of the Senate bill, students must have the advantages afforded by modern technology.

As the experience of the students at the Willard school demonstrates, technology is proving to be a highly beneficial instructional aid in the nation's public schools. Technology is not only helping students learn but is also preparing them better for the technological demands of the workplace. And increasingly, educators are embracing it as a key to their students' future.

According to Brinkley, the Willard school principal, the direction is clear: "Technology has to be a priority in our schools today."

Easing The Burden?

President Clinton has taken some steps toward easing regulations on business, but business is anxious about long-term trends.

By David Warner



The elimination of excessive regulation is a goal of the reinvent-government plan recently issued by President Clinton and Vice President Gore.

n his 168-page report on reinventing the federal government, Vice President Al Gore recommended eliminating regulatory overkill. The Clinton administration has, indeed, taken steps to ease some regulatory burdens on business, but there are signs, too, that the White House will use more, not fewer, government rules to achieve its social and economic goals.

On the positive side for business, the president signed an executive order Sept. 30 that calls on federal regulatory agencies to consider costs and benefits of proposed rules. This order requires them to follow a number of "principles" in determining the need for and consequences of regulations, such as basing the decisions "on the best reasonably obtainable scientific, technical, economic, and other information."

The directive also requires agencies to determine whether existing regulations are unnecessary, outdated, or duplicative.

The federal government must "lighten the load for regulated industries and make government regulations that are needed more efficient," President Clinton said in signing the order.

Business groups have generally praised Clinton's regulatory-review policy, but they have cautioned that the implementation of the order will be the true test of the administration's commitment to "lighten the load."

Another positive development for business is the appointment of an administrator of the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA), which reviews agencies' proposed rules and enforces the 1980 Paperwork Reduction Act.

That job went unfilled during the Bush administration, largely because of disagreements between the administration and Congress over reauthorization of the paperwork law, which established OIRA. Bush formed his own regulatory-review group-the Council on Competitiveness-under Vice President Dan Quayle.

The Clinton administration eliminated the council, but the president's appointment of an OIRA administrator, like the recent executive order, signals the administration's commitment to regulatory review. The OIRA post went to Sally Katzen, who worked for the Council on Wage and Price Stability in the Carter administration.

The White House is also supporting reauthorization of the Paperwork Reduction Act and the Regulatory Flexibility Act, which requires agencies to consider their rules' costs on small businesses.

The appointment of Erskine Bowles, a former North Carolina businessman, to the administrator's job at the Small Business Administration is seen as another signal that the Clinton White House is concerned about small business.

Both Bowles and Katzen have expressed concern for small business's struggles with government rules and red tape.

Bowles testified before the House Committee on Small Business in June that the Clinton administration wants to "get rid of the unnecessary paperwork and bureaucratic regulations that inhibit the growth and productivity of small busi-

"Government regulations have a disproportionately adverse effect on small companies," he said. "The president wants to attack this issue head-on, and I am absolutely committed to doing that."

Says Katzen: "We are particularly sensitive to small businesses, to tiny entities."

The administration has proposed easing some rules that adversely affect business. It has called for reform of a regulation governing pesticide uses on foods; the rule has kept newer, safer pesticides off the market. The administration has also eased some of the lending rules on banks to encourage more loans to small businesses and has relaxed controls on certain kinds of technology exported to specific countries.

Despite those relief efforts and the recent executive order, there are many who believe regulation under the Clinton administration will increase, not decrease.

"Will regulation four years from now be on balance more onerous, more cumbersome, more costly than it is today? Sure. That's the trend," says Murray Weidenbaum, director of the Center for the Study of American Business at Washington University, in St. Louis.

Weidenbaum, who was a member of the Reagan administration's task force on regulatory reform and chairman of the president's Council of Economic Advisers in the Nixon administration, cites the "very substantial expansion of regulation that's under way." He notes efforts to impose new requirements on business under the Occupational Safety and Health Act, to increase the minimum wage, and to make significant cuts in carbon dioxide emissions, which could require new cleanair regulations.

One of Clinton's first acts following his

REGULATION

inauguration was to sign the Family and Medical Leave Act, a measure requiring businesses to grant their workers up to 12 weeks a year of unpaid leave for the birth or adoption of a child, or for the serious illness of the individual or a close relative. The administration is also supporting legislation pending in Congress to prohibit employers from permanently replacing striking workers.

Meanwhile, some policy analysts believe a presidential commission set up to improve labor-management relations is considering reform of federal labor laws to make it easier for unions to organize.

he administration is proposing major government regulation of the country's health-care system. Included in the Clinton health plan, for example, is a national health board that would set and enforce health-care spending limits and have the power to regulate and monitor employers.

Vice President Gore, an ardent environmentalist, is expected to play a significant role in rewriting a host of environmental laws that are up for reauthorization this year and next, including the Clean Water Act, the Superfund law, and the Resource Conservation and Recovery Act. Many analysts say those statutes are likely to become more stringent.

"Obviously, that's not going to be an area where the Clinton administration is looking to substantially lessen burdens on business," says Brink Lindsey, director of regulatory policy at the Cato Institute, a public-policy research organization based in Washington, D.C.

There is also concern among businesses about the administration's use of executive orders to circumvent the rule-making process. Unlike regulations, which are issued for public comment before they are put into effect, executive orders are simply issued by the president without prior public scrutiny.

Clinton recently issued an order requiring the federal government to purchase only products made with "nontoxic" materials. Another order would allow purchases only of products the government considers "environmentally preferable."

Critics of the order on purchasing nontoxic materials say it is based on scientifically flawed assumptions. The other order, they say, allows bureaucrats to make subjective decisions about which products are environmentally safe.

"If [the administration] decides to go this way, we're going to have an avalanche of executive orders," says Fred Webber, president of the Chemical Manufacturers Association. "We've spotted a dangerous trend."

Webber's association is one of almost two dozen business groups, including the U.S. Chamber of Commerce, that have asked Congress to hold hearings on the



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OIRA Administrator Sally Katzen expresses concern about the quality of rules.

use of executive orders to set new environmental policy. Says Webber: "The process by which these executive orders have been developed does not allow for public debate. The result is the imposition by fiat of far-reaching public policy that Congress has not authorized."

Even some of the administration's rhetoric about the efficacy of government regulations hints at an increase in rules. In an interview with Nation's Business,

♥ Home Sweet Home ♥ **Regulatory Costs** Per Household (In 1991 Dollars) 1988 \$5,197 1990 \$5,424 1992 \$5,831 1994" \$5,935 1996" \$6,083 SOUNCE THOMAS D. HOPKINS, PROFESSOR OF ECONOMICS. SOCHESTER AUCTITUTE OF TECHNOLOGY

Katzen, the OIRA administrator, said the Clinton administration is not pro- or antiregulation. "It is for good regulations, for smart regulations, for effective regulations. If [regulations] are carefully crafted, they can protect people, they can enhance our quality of life, they can help eliminate fraud and abuse, they can promote a cleaner environment, a safer workplace, generally make our lives better."

Katzen said poorly written rules can impose substantial costs on business, but that regulators must strive to achieve

regulatory objectives in a way that minimizes costs.

Robert Coakley, executive director of the Council on Regulatory and Information Management, a Washington, D.C.based coalition of businesses concerned about government rules, says: "From the standpoint of jobs and economic consequences and burdens on the business community, big and small, it isn't the single regulation—poorly written or not—that causes the problems. It's the cumulative impact."

Indeed, government rules are projected to cost the U.S. economy more than \$430 billion and every household more than \$5,900 (see the chart below) in 1994, according to Thomas D. Hopkins, a professor of economics at the Rochester Institute of Technology, in Rochester, N.Y. Hopkins notes that his estimates do not include regulations adopted or proposed during Clinton's first year in office.

Even the new executive order on regulatory review leaves the door open to more regulation. While it calls on agencies to consider costs and benefits when crafting government rules, it also directs them to adopt regulations that "maximize net benefits."

Agencies must justify through costbenefit analyses only "significant" rules. Such regulations are defined as those that would cost the economy \$100 million or more annually; conflict with actions taken or planned by another agency; "materially alter" the budgetary impact of government programs; or "raise novel legal or policy issues." OIRA will review only "significant" regulations.

nother indicator of where the administration is headed on regulation is the size of the federal regulatory apparatus.

Although Gore's National Performance Review task force calls for a cut of more than 250,000 federal workers, Melinda Warren, associate director of the Center for the Study of American Business, in St. Louis, says there will be a "significant surge" in regulatory personnel.

Her analysis of Clinton's 1994 regulatory budget shows a slight drop in spending—.07 percent—over the 1993 budget, but it finds an almost 2 percent increase in regulatory agencies' staff. Federal regulatory agencies are projected to have a record 128,615 employees in fiscal 1994, 1,350 more than in fiscal 1993.

Weidenbaum, of the Center for the Study of American Business, says that, so far, the Clinton administration's performance in the regulatory arena consists of more minuses than pluses: "It's three or four steps backward, one step forward."

The business community, meanwhile, is watching the administration's regulatory moves closely to see if the actions match the reform rhetoric.

Women In Business

A key link between manufacturer and consumer, civilian futures for women leaving the military.

ENTREPRENEURSHIP

Opportunities In Direct Selling

By Jacquelyn Denalli

For women who would like to run their own businesses but don't have the resources to start from scratch or purchase a franchise, direct selling might offer an alternative.

In this form of marketing, a selfemployed salesperson is the primary link between a manufacturer or service company and the ultimate consumer.

The seller usually takes orders for later delivery. Cosmetics, household supplies, jewelry, clothes, toys, and home-maintenance services are among the betterknown areas of direct selling.

"Direct selling lets you be in business for yourself but not by yourself," says Neil Offen, president of the Direct Selling Association, a national trade association based in Washington, D.C.

For most product lines, the start-up costs include \$50 to \$95 for a distributor kit plus inventory purchases, which vary with the products. In addition, the companies provide training and support, including advertising.

The biggest challenge faced by direct sellers, Offen says, is unscrupulous operators who force distributors to load up on inventory that they may not be able to sell and require high-dollar purchases of training aids and materials.

"There are two fundamental questions you can ask to determine the difference between a legitimate direct sales company and a fraudulent pyramid scheme," Offen says. "First, is there a risk of financial loss by being involved in the company? A yes answer doesn't necessarily mean something is wrong, but you should proceed carefully. Second, are the profits derived primarily from the sale of products to the ultimate consumer? If the answer is no, we say you've got a fraud and you should stay away from it."

More than 99 percent of direct sellers are independent contractors, not employees, which gives them all of the tax advantages—and responsibilities—of a



Independent distributor Dawn Stone conducts a sales party for Lady Remington Fashion Jewelry in a home in Dothan, Ala.

small-business owner. For example, transportation and other expenses incurred in making sales are tax-deductible, but direct sellers must pay Social Security taxes and meet other legal requirements of the self-employed.

Of the 4 million direct salespeople in the United States, Offen says, only 6 percent work full time, and almost 90 percent are women. Most direct sellers are supplementing family income or income from another job.

But those who focus on their direct selling as entrepreneurial ventures have the income to show for it. The Direct Selling Association says that of American women in direct sales, 147,000 are earning more than \$35,000 a year; 84,000, more than \$50,000; and 22,000, more than \$100,000.

And, the successful sellers say, those opportunities are open without the risks of launching a business.

"If I went out and started a jewelry business, I would have to find capital, purchase inventory, and hope what I bought would sell," says Dawn Stone, an independent distributor for Lady Remington Fashion Jewelry who is based in Thomasville, Ga. "With Lady Remington, I have a major company backing me up, predicting the trends, and taking the risk."

Because direct sellers are paid on

commission, their income is tied to production. Most direct-selling companies use a multilevel compensation plan, in which the distributor makes a commission on her own sales, plus overrides on the sales of distributors she recruits into the business.

Stone was making \$14 an hour teaching

Launching A Career

If you are thinking about getting into direct sales, Neil Offen, president of the Direct Selling Association, offers the following tips:

- Choose a product line you like and believe in, one that offers quality at a fair price.
- Analyze the compensation plan to make sure it's competitive with other companies in the industry and that it's based on the sale of products to the consumer.
- Compare how much you will have to spend against the income potential of your sales.
- Expect to work hard. Don't believe promises of extraordinary income with minimal effort.
- Be sure all your questions are answered fully and completely; if they're not, look elsewhere.

Jacquelyn Denalli is a free-lance writer in Winter Park, Flo. accounting at a local college when she quit to sell Lady Remington jewelry two years ago. Today she averages \$35 to \$40 an hour. "As a teacher, I had to work the hours they told me to work," she says. "Now I have a choice. I can work my family's schedule around my career, and I can work my career schedule around my family."

A longtime corporate employee, Joan Brown of Orlando, Fla., is now an independent distributor for Quorum International, a firm specializing in personal and property security devices. Brown says she is making more an hour with Quorum than she was after 32 years with a big company, 20 of them as a manager.

One obstacle Stone routinely has to overcome is the negative perception many people have of direct sales. "Sometimes people think, 'Oh, she has to sell jewelry for a living. It's so sad she doesn't have a real job," she says. "I had a 'real job' before, and that real job didn't do anything for me. With direct selling, there is no glass ceiling. The sky is definitely the limit."

In the past, direct selling was done primarily in the home, either door to door or at "parties." Though home demonstrations, as they are now called, are still popular, an increasing number of sales are taking place in offices and other work sites. Direct sellers are also using the telephone and mail to increase their sales volume. Offen says more than 50 percent of all households make at least one purchase from a direct seller each year.

"There is an incredible familiarity with and utilization of this marketing method," he says. But, he cautions, direct selling is not an easy way to make a quick buck. "It's a wonderful opportunity, but like anything else that is worthwhile, it takes hard work."

For More Information

The Direct Selling Association provides information on direct selling as a career and an entrepreneurial opportunity.

The organization also offers criteria to evaluate a direct-sales company, a copy of the association's code of ethics, and a list of member companies.

Write or call the Direct Selling Association at 1776 K Street, N.W., Suite 600, Washington, D.C. 20006; (202) 293-5760.

Check out specific companies by contacting your local Better Business Bureau, chamber of commerce, public library, or consumer affairs office.

You might also want to contact your state attorney general's office or a regional Federal Trade Commission office to determine if any complaints about direct-sales companies are on file.

HIRING

Civilian Positions For Women Vets

By Sharon Nelton.

During the 1994 fiscal year, an estimated 315,000 will leave the U.S. military services, and about 36,000 will be women. The Women's Research and Education Institute wants to make sure these women find civilian jobs. To that end, the institute, based in Washington, has launched a campaign to encourage business owners to employ women veterans as the military forces are reduced. It's called "Hire a Vet: She's a Good Investment."

"Veterans have a slightly higher unemployment rate now than the civilian population, and women veterans' rates are slightly higher than men's." says Betty Parsons Dooley, ex-

ecutive director of the research institute, a nonprofit organization that provides information and analysis on women's equity issues to the public and to policymakers.

Why hire women from the military? "You hire them because it's good business," says Patricia M. Gormley, director of the institute's Women in the Military Project. Employers' tax dollars have paid for the women's education and on-the-job



Women veterans typically offer the self-discipline and good work habits that companies look for in job applicants.

> experience, she points out. "Now employers can receive the benefit of that."

> Patricia Jernigan, an Army veteran who now works as a senior analyst at Galaxy Computer Services, Inc., a 22

employee company in Falls Church, Va., says: "Women who have been through the military, regardless of service and really pretty much regardless of rank, have had an opportunity-and a requirement-to develop a certain amount of self-discipline

and good work habits."

The Women's Research and Education Institute is sponsoring a Hire a Vet conference in Washington on Dec. 8 to showcase the civilian potential of the skills and experience that women develop in the military.

A booklet, Hire a Vet: She's a Good Investment, has just been published by the institute and the U.S. Department of Labor. It describes the experience and talents that women veterans bring to civilian employment and gives details on government programs to help employers reach women with particular skills or experience.

Single copies are available for \$4 each. Send a check or money order to the Women's Research

and Education Institute, Hire a Vet Booklet, 1700 18th St., N.W., Suite 400, Washington, D.C. 20009. For information on multiple copies or on the conference, call the institute at (202) 328-7070.

RESOURCES

New Publications

Breaking the Glass Ceiling is a one-page brochure that explains the scope and goals of the U.S. Labor Department's Glass Ceiling Commission and lists potential workplace barriers to the advancement of minorities and women. Single

copies are free. Send your request with a self-addressed mailing label to: Glass Ceiling Commission, U.S. Department of Labor, Room S2233, 200 Constitution Ave., N.W., Washington, D.C. 20210.

Mentoring: A Guide To Corporate Programs and Practices describes innovative company programs to identify and advance high-potential women and address the challenges of a diverse work force. Published by Catalyst, a research and advisory organization, the 65-page guide offers advice to policy-makers and women employees on how to make the most of mentors in the workplace.

The price is \$35 for Catalyst contributors and \$45 for noncontributors. Call Margaret Baber at (212) 777-8900.

Quality Via Satellite

Interactive communications technology is bringing TQM experts and small businesses together.

By Michael Barrier

n a small town like Sioux Center, Iowa, on a beautiful day in the fall, you can begin to understand what may grow out of the increasingly rapid and fluid exchange of information that is such an important part of late-20th-century America.

Sioux Center is a picture-perfect Midwestern town of 5,000 in the northwestern corner of the state; the casual visitor would be hard-pressed to find a house in need of a coat of paint. The area's economy is overwhelmingly agricultural-corn grows just a stone's throw from Sioux Center's grandest housesbut the town has an industrial park that is home to out-of-state and even foreign manufacturers.

Employers are drawn to Sioux Center by its work ethic. "We have a real problem with employment," says Verlyn Rozeboom, president of the Sioux Center Chamber of Commerce, "Our unemployment rate is so low that there aren't enough people around for the jobs available."

Over the past couple of years, Sioux Center has seen a burgeoning interest in the principles of Total Quality Management. "There are a lot of businesses in Sioux Center that have what most people would call a 'quality program,' " Rozeboom says, even though those firms haven't yet framed their programs in formal TQM terms. Rozeboom is vice president of Sioux Automation Center, a 70-employee company that makes agricultural equipment, and, he says, "customer service is what built our business."

So far, Link Manufacturing, Ltd., a 60-employee firm that makes components for the heavy-truck industry, is the only local company that has moved into fullscale TQM. It has given six hours of training in TQM techniques to both managers and employees, has shifted to partnership with its suppliers, and, most recently, invited employees to criticize company operations, says Dennis Michels, the general manager. "We've really changed how we look at business."

Link will probably not be alone much longer. Through interactive satellite technology, business people in Sioux Centerand hundreds of other small towns-are hearing experts on quality management in live presentations from the U.S. Chamber of Commerce, in Washington, D.C., and asking them questions.



A satellite seminar sharpened quality awareness for John Franken, left, head of a Sioux Center, Iowa, electrical firm, and salesmen Mark Vande Brake and Steve Mason.

Link is sending three or four of its employees to each of the 10 satellite seminars in a series on quality management that the U.S. Chamber's Quality Learning Services division is offering this fall. The Sioux Center Chamber's "industrial action team" is sponsoring the seminars locally. For each seminar, four or five dozen local business people gather in the basement of the Sioux Center public library, watching the presentations on television sets lent by local stores.

Michels says that the seminars have in effect confirmed the value of what Link is doing. "You need a little validation that you're on the right road," he says, "I think we can benefit a lot from [the seminars] because it's not the first time we're hearing this." But small-business owners who are not so familiar with quality principles may benefit even more.

For example, JESCO Wholesale Electrical Supplies, a family-owned firm, has about 45 employees at five locations in Iowa, Nebraska, and Minnesota. The company, according to its president, John M. Franken, is one of those small businesses that is getting just big enough that it should start moving from "natural" quality management to a more structured kind, and so, he says, "I'm trying to glean what I can.'

Franken and two of his salesmen attended a recent seminar on "Customer Satisfaction and Loyalty." In the satellite program, Christopher Fay, a vice president of the Juran Institute, a qualitymanagement consulting firm, led an hourlong presentation that illuminated the critical differences between customer satisfaction and customer loyalty.

Loyalty, Fay pointed out, is what small businesses really want, because a customer may be satisfied and yet not come back. In a second hour, Fay and a panel of experts took fax and telephone questions from sites all over the country.

"We've been worried about customer service," Franken says, "and doing written surveys," which Fay described in the seminar as no substitute for face-to-face or telephone questioning of former customers as a way of getting at the real reasons for "disloyalty."

Franken has also been doing things consistent with Fay's recommendations, though; he just hasn't been doing them in the structured, systematic way that will become necessary as his business grows larger. He says, for instance, that when a

MANAGING

manager at one of JESCO's branches lets him know that a customer wants to close an account, he calls that customer himself to find out what the problem is. "It works well for me because I haven't known the guy personally," he says. "I find that they really open up. All but one, we've gotten their business back."

Christopher Fay contends, however, that getting former customers back shouldn't be the principal purpose of such calls; they should instead be a way of pinpointing weaknesses that may displease the customers a business still has. And, in fact, Franken keeps a sort of diary of customers' complaints, to look for patterns: "If I see a pattern, I need to get all the managers in to talk about this."

The two JESCO salesmen attending the seminar also heard things there that resonated with their own experience. Steve Mason, who sells high-tech, industrial-automation products for JESCO, agrees with Fay that employees in sales should not be assigned to monitor customer satisfaction. "I worked in an industrial facility as an electronics technician and supervisor," he says, "and I had to deal with salespeople coming in. If a salesperson had come in and started interviewing me about loyalty, I would have wondered what this guy was up to."

Likewise, salesman Mark Vande Brake understood the importance of finding out what is really important to customers. "Service still means a lot in this area," he says, but he thinks that providing technical support may not be enough to guarantee a sale because larger customers in particular seem to be concerned only with price and delivery time.

So, in JESCO's case, the seminar served its purpose: not to provide a "cookbook" of cut-and-dried techniques, but to stimulate awareness of quality issues and help small businesses give shape and direction to their quality efforts.

The seminar "really sparked a lot of interest in my mind," Franken says. "I'm going home with the feeling that I got a lot of good out of it."

For the representatives of other businesses, too, the seminar was full of revelations. One of those, says Rick De-Boom, a quality-assurance manager with Coilcraft Inc., an electronics manufacturer, is how important it is to ask former customers why they left, instead of talking just to existing customers. "We hadn't even thought about that," he says.

Some of the participants went so far as to scrutinize the whole concept of customer loyalty, in the sort of boundless questioning and searching for a better answer that is at the heart of quality thinking.

"Sometimes customer loyalty can be a negative," argues Kevin LaValliere, a quality facilitator with K-Products, a



Quality-management seminars such as this one are transmitted by satellite to business people at hundreds of sites nationwide.

manufacturer of promotional merchandise in nearby Orange City. "The more you partner with certain customers, the more they start demanding from you. When it starts costing you more to do business with that customer than what you're gaining in profit, you've got to do a realistic analysis of how you're treating that customer."

LaValliere wasn't questioning the value of the seminars themselves, though. An Oct. 7 seminar on the hidden costs of poor quality had "a huge following" at K-Products, he says. "I had phone calls from branch plant managers afterwards, saying, "Can you come help me get started?" on making improvements of the kind the seminar had pointed toward.

K-Products is aligning the seminars with specific members of its staff; Those attending the customer-loyalty seminar were from marketing, for instance. "You've got to think about what you're doing," LaValliere says, "These guys, dealing directly with customers and with

sales issues, I think they got a wealth of knowledge out of it."

In such ways, the seminars are having an impact within the companies whose owners and employees are attending them. But the seminars' sponsors in the Sioux Center Chamber want the quality movement's ripples to spread even wider, throughout the community.

"We're starting to establish an implementers' roundtable," says Joe Lenzo, chairman of the industrial action team; he is marketing manager for EMW Groschopp, a German-owned manufacturer of electrical motors, with a plant in Sioux Center's industrial park. "We want the roundtable to be the people who have the authority to implement policy. There's a very strong networking scope to this, and we want to establish a very high-level network."

A viable network is, indeed, being created, linking businesses in Sioux Center and in hundreds of Sioux Centers across the country.

How To See The Seminars

The U.S. Chamber of Commerce's fall series of satellite seminars on quality management will conclude in December with three seminars led by Peter Scholtes of Joiner Associates, a consulting firm based in Madison, Wis. The seminars will be held Dec. 1, 8, and 16; each will begin at 12:45 p.m. Eastern time and end at 3 p.m.

The Dec. 1 seminar, "Creating Systems for Peak Performance," will focus on building quality into daily routines designing a quality system that makes peak performance second-nature.

In the final two seminars, devoted to "Master Improvement," Scholtes will explain how to achieve "breakthrough improvements"—decisive changes in an organization—and how to make such improvements last.

The seminars will be seen at several hundred sites in most states and in Canada, under the auspices of local chambers, individual businesses, community colleges, and various federal and state government agencies.

For information about the December seminars, including sites, and the 1994 seminar schedule, call the Chamber's Quality Learning Services division at 1-800-835-4730 or (202) 463-5940.

Playing The New 800 Numbers Game

Some companies may find lower prices and higher levels of service now that 800 phone numbers are portable.

By Madeline Bodin

f your business uses an 800 number, competitors of your telephone company are probably offering you big savings to switch to them. Or your current carrier will give you a discount for

staying.

The competition to provide 800-number service took off in May when such numbers became "portable" for the first time. In its simplest form, 800 "portability" means that you can retain your 800 number when you switch to a different phone company. Perhans you've converted your number to letters that spell the name of your firm, a sales slogan, or a reference to the type of business you're in. Or the number might be one that you've been advertising extensively.

While the biggest benefits of the competition to switch carriers have gone to the 800-service users who spend more than \$50,000 per month on their combined 800 and other long-distance services, smaller companies haven't been left out. Almost everyone can get a 10 percent to 30 percent discount in the competitive

environment of portability.

Until last May, a business that wanted to move its 800 service to another phone company had to change 800 numbers when it changed carriers. Under the old system, carriers held exclusive rights to the first three digits after 800 in numbers they had assigned.

The Federal Communications Commission ruled in 1988 that carriers had to route calls using all seven digits after the

800 prefix.

The new system allows any phone company offering 800-number service to use any of the roughly 10 million 800number combinations now available. No company has an exclusive right to any number, which enables businesses to take their 800 number from phone company to

phone company.

This new system depends on two very sophisticated technologies. One is a central database that stores the carrier assignment for each of the 2.5 million 10-digit 800 numbers now in use. The other component is a network protocol that, among other things, lets the computers of the phone company originating the 800 call search the central database and

transfer the call to the proper recipient.

Users of 800 numbers will reap a number of rewards from portable numbers. The biggest savings will probably go to companies that used one carrier for 800 calls and another for all other longdistance calls.

"If you are a company that has a substantial amount of long-distance traffic on one carrier and 800 numbers by another, you can get substantial reductions in costs" by moving both services to a single carrier for a larger combinedvolume discount, says Jane Laino of Corporate Communications Consultants, in New York City.



Portability may also save businesses from failure during rare, long-term network outages, says William Church, CEO of Call Center Solutions, in Raleigh, N.C.

Another benefit comes from the ability to shop around. The 800 carriers have developed aggressive new marketing campaigns to attract customers. Businesses have been offered discounts of up to 30 percent for staying with their existing carrier. Those that switch have been offered similar discounts.

The FCC required phone companies to drop their usual installation fee for new 800 customers from May through July to avoid penalizing companies that switched carriers. Intense competition, however, has caused 800 carriers to extend the no-fee offer indefinitely.

Yet another benefit of portability is the inevitable increase in service that 800number carriers will provide for business customers of all sizes. "Portability will force the carriers to be more customerservice-oriented," says Church, "You can demand better service and expect to get it, because if you don't like the service, you can take your business to another carrier"

Will these benefits tempt companies to switch carriers? A study last spring by Strategic TeleMedia, a market-research company in New York City, found that 40 percent of the companies that spend \$100 to \$9,999 a month on 800 service were considering switching carriers.

Generally, the study found, the higher the 800 volume (some companies spend millions each month), the more likely it is that the company is considering switching its 800 service, says Mark Plakias, managing director of Strategic TeleMedia.

For all the potential benefits of portability, it also brings at least one new problem, called "post-dial delay." Before 800 portability, it took about five seconds from the time an 800 number was dialed to the time the phone at the other end started ringing. Now, the post-dial delay can be longer than nine seconds if a

> carrier is not using the newest network technology.

The FCC says post-dial delay is not a major drawback, however. The agency estimates that less than 5 percent of all 800 calls will experience longer setup time, says Gary Phillips, an FCC attorney. These delays should be temporary, but Phillips could not say when the times would start to improve, only that it would vary with the

part from the intense marketing efforts by the major 800 carriers. evaluating the pros and cons of switching 800 service can be a daunting and time-consuming task for

many small-business owners.

carrier involved.

Susan Winters, vice president of operations for Bulbtronics, a specialty lightbulb distributor in Farmingdale, N.Y., says, "We've gotten all kinds of fliers and solicitations."

Bulbtronics, which has some 60 employees, receives about 1,500 calls a day and spends about \$6,000 a month on 800 service. But like many small-business owners, she hasn't had time to sit down and decipher the offers seeking that business. Says Winters: "You could spend months just on this one thing."

Her decision: "I wouldn't change my 800 carrier, because we are satisfied with what we have."

Madeline Bodin is the editor of Call Center magazine and author of the book Using the Telephone More Effectively.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

SELLING

Starting A Catalog

I need information on how to start a catalog to sell my business products. M.Z., Zurich, Switzerland (Similar questions also from B.T., Louisville, Ky., and C.B., Atherton, Calif.)

Start with the Direct Marketing Association, in New York. The organization offers information—some of it free—on the basics of starting a mail-order business. Ask for a free publications list by writing or calling the association at 11 West 42nd St., New York, N.Y. 10036-8096; (212) 768-7277.

For information on the industry, you might find the monthly magazine Catalog Age, published by Cowles Business Media, useful. The magazine covers a range of industry-related issues and pub-



SALUETHATIONS MARTIN VALUENA

lishes a special year-end report on trends and practices in the catalog business. To order a \$64 yearly subscription, call (203) 358-9900, ext. 160. In addition, several books on catalog businesses are available:

■ Catalog Marketing: The Complete Guide to Profitability in the Catalog Business (AMACOM), by Katie Muldoon, is a primer on the subject. Although it recently went out of print, you may be able to find a copy at your local bookstore or your library.

Starting and Building Your Catalog Sales Business (John Wiley & Sons), by Herman Holtz, is also worth reading. The book costs \$27.95, plus shipping based on weight and destination. To order, call 1-800-225-5945.

■ Successful Catalog Marketing (The Dartnell Corp.), by Richard S. Hodgson, covers development, production, marketing, and customer service. The book sells for \$39.95 and is available by calling 1-800-621-5463.

HOME BUSINESS

Ideas In Print

Can you list some books that would give me ideas for running a business from my home?

D.H., Stillwater, Okla.

These books on running a home business are available in many bookstores:

1001 Businesses You Can Start From Home (John Wiley & Sons; \$14.95), by Daryl Allen Hall, contains start-up costs, marketing tips, and sources for more information on each business idea.

555 Ways To Earn Extra Money (Henry Holt; \$12.95), by Jay Conrad Levinson, offers information on how to get started, how to market and promote yourself, and how to build lasting, productive relationships with clients.

In The Home-Based Entrepreneur (Upstart Publishing; \$19.95), authors Linda Pinson and Jerry Jinnett discuss the advantages and disadvantages of a home office, zoning, licensing, and labor laws. They also cover record keeping, cash flow, determining costs, and sources of further information.

Working From Home (Jeremy P. Tarcher; \$14.95), by Paul and Sarah Edwards, lists more than 500 home-business possibilities, where to get the best buys on office supplies and equipment, managing self-discipline and isolation, and what to watch out for in buying business and health insurance.

START-UPS

Read All About It

I am interested in starting a bookstore that carries a cross-section of rare books, some used books, and an inventory of new volumes. Where can I go for help? C.B., Berkeley Heights, N.J. (Similar question also from VD.A., Fort

(Simuar question also from V.D.A., Fort Lauderdale, Fla.)

For information on finding rare books, try the Antiquarian Booksellers' Association of America, 50 Rockefeller Plaza, Lobby Floor, New York, N.Y. 10020; (212) 757-9395.

The American Booksellers Association, 560 White Plains Road, Tarrytown, N.Y. 10591; (914) 631-7800, offers free information for the beginning bookstore operator along with a range of other publications for sale.

Another source is AB Bookman's Weekly, published by AB Bookman Publications, Inc. It's a weekly magazine that covers the book industry.

The magazine is co-sponsoring The Out-of-Print & Antiquarian Book Market

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space. Seminar on March 6-11 in Gainesville, Fla. The seminar is designed for anyone interested in knowing more about rare books, opening a book store, or starting an out-of-print service. Registration for the seminar costs \$645. For information,



write or call AB Bookman Publications, Inc., PO. Box AB, Clifton, N.J. 07015; (201) 772-0020.

You may also want to consult Dale Gilbert's Complete Guide to Starting a Used Bookstore: Turning Old Books Into Gold (Enterprise-Dearborn). It covers operating day to day, buying books, establishing a market niche, and cashing out when you are ready to move on.

The book (No. 6100-10) is available for \$14.95, plus \$4 shipping and handling, from the publisher, Enterprise-Dearborn, 520 N. Dearborn St., Chicago, Ill. 60610; 1-800-554-4379.

Eve To Eye

I am a newly licensed private investigator in Maine, and I am looking for reference material that might help me.

J.D.W., Limerick, Maine

The National Association of Investigative Specialists, a trade group based in Austin, Texas, offers a wide range of seminars and publications aimed at the beginning and licensed private investigator.

The association offers a free catalog of training manuals. For information, write or call the organization at Thomas Publications, PO. Box 33244, Austin, Texas 78764; (512) 832-0355.

You might find The Private Investigator's Basic Manual, by Richard H. Akin,



a helpful reference on investigative techniques and procedures. Send \$29.25 plus \$4 for shipping to Charles C. Thomas Publishers at 2600 S. First St., Springfield, Ill. 62794-9265; (217) 789-8980.

LABOR

Saving Jobs

I have owned a small manufacturing business for 30 years, and I have never had to lay off any workers until last year. Any suggestions on how to keep jobs in the United States?

S.W., Linden, N.J.

In 50 Things You Can Do to Save American Jobs (Carol Publishing Group), Greg Matusky and David R. Evanson offer strategies to stay competitive.

The book costs \$8.95, plus \$3 for handling. Call Carol Publishing Group at 1-800-447-2665. Please refer to ISBN #0-8065-1414-0 when ordering.

VENDING

Franchise Facts

I am a vendor for privately held companies, and I am interested in expanding to include franchised companies. I would like information on a franchisor's financial and corporate history before I approach it. Is there a service available that provides this kind of information? P.M., Columbus, Ohio

The information you are looking for is contained in the Uniform Franchise Offering Circular, more commonly known as the UFOC, or offering circular. Comparable to a securities prospectus, an offering circular contains a wide range of information on the company, including its corporate history, audited financial statements. approved supplier lists, and exclusive areas or territories granted to franchisees. The federal government requires franchisors to furnish this information to serious, qualified franchisee candidates.

Copies of offering circulars and other documents are available through FRAN-DATA, a document service in Washington, D.C. Prices vary according to the order. For information, write or call FRANDATA, 1155 Connecticut Ave., N.W., Suite 275, Washington, D.C. 20036; (202) 659-8640.

Nation's Business

The Small Business Resource Guide

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From The Editors OF DIRECT LINE

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Nation's Business

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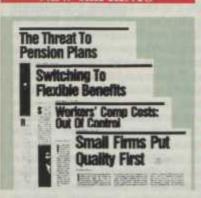
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To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Janet L. Willen

With Medication, **Travel With Care**

Rush-hour traffic. Flight delays. Cold calls. Unhappy clients. Tedious meetings. Some days are bound to bring on a headache. You reach for the aspirin that you packed, and, yuck, it has spoiled and reeks of vinegar.

Millions of Americans take medicine every day. The Nonprescription Drug Manufacturers Association, in Washington, D.C., says about \$12 billion is spent each year on nonprescription, over-thecounter drugs, and NARD, the Washington, D.C., association representing the nation's 40,000 independent retail pharmacies, estimates that 1.6 billion prescriptions are dispensed annually.

While both prescription and over-thecounter medications sold in the United States have been tested and certified as safe, they do not always perform as they should. That is largely because people don't comply with doctors' orders, or they improperly mix medications with foods or other drugs, or they use drugs that have lost potency.

For business people on the road, the proper use of medication takes a bit more effort, but the last thing anyone needs is to travel hundreds of miles and then be too sick to work. That could happen if you're careless with drugs.

Ordinarily, medicine should be kept in a cool, dry place, says Linda R. Bernstein, associate clinical professor at the University of California at San Francisco's School of Pharmacy. When you're traveling, she suggests the following:

Keep medicine with you at all times. Do not put it in a suitcase. Checked bags run the risk of being lost in transit, and the temperature in cargo holds may be freezing, which can harm the medication.

■ If medication needs refrigeration, keep it in a cooler. Use ice packs, if necessary. Dry ice could cause it to freeze.

■ Keep the medication in its original container, which was designed to keep the medication intact. Labels should always be available for reference.

Storage requires care. According to NARD, the pharmaceutical association, most medications deteriorate with age, particularly when exposed to air, heat,



When taking medicine at night, be sure to turn on a light and read the label.

moisture, and light. NARD suggests disposing of medication that shows the following signs:

■ Medicine that has changed color. formed a residue at the bottom of the bottle, is more than two years old, or has expired.

Aspirin tablets that are crumbly or smell like vinegar.

Milk of magnesia that is beginning to

■ Nose drops that are cloudy or have sediment.

Medication that has expired or deteriorated may have altered chemically, and it may no longer produce the desired effect. In extreme cases, it may cause serious health problems.

Mike Shaffer, a public-affairs specialist for the Food and Drug Administration, warns that "prescription drugs are more fragile, more susceptible to deterioration than commercial drugs." He adds: "How a package is delivered is a signal of how it should be kept." For example, cough medicines packaged in dark bottles should be kept out of light.

To be sure you're taking medicine properly, do the following:

If you're traveling for only a day or two, it's all right to transfer one or two pills to a pill box, but that is the limit, Shaffer says. It's best to keep medicine in its original container.

Don't mix drugs in same container. NARD recommends. The chemical compounds can combine, and they may even neutralize in as little as 24 hours.

■ Never take medicine in the dark. NARD suggests turning on a light and reading the label.

Keep medicine out of a steamy bathroom, Bernstein says. On the road and at home, a bathroom medicine cabinet is not a good storage place.

■ Pack medication with

Manufacturers guarantee the integrity of a product up to the expiration date, but it must be kept in its container in the recommended storage environ-

ment, says David Rhodes, a manager of product information at Parke-Davis, a division of Warner-Lambert Co. Rhodes says most drugs are tested and guaranteed at between 59 and 86 degrees. During the summer, the temperature inside a parked car can reach 150 degrees.

If you travel to another time zone, says Joe Smith, pharmacist at the Medicine Shop in Falls Church, Va., "ignore the clock. Take your medication on your [home] time zone." That way your medication will be on schedule. Smith, who is second vice president at NARD, says that if you forget a dose, you can safely take it if your next dosage is more than two hours away. Don't double up.

Smith recommends traveling only with the prescription medication that you are currently taking. He frowns on carrying prescription drugs that might be needed. "It's better to get fresh counseling than rely on memories of how to use medicine." he says. Dispose of any medicine you are not using. NARD recommends flushing pills and liquids down the toilet or drain and rinsing the bottles. Shaffer says the medicine won't contaminate sewage, "not in the quantities of ordinary consumers."

The overriding concern when disposing of drugs, he says, is that they'll get into the hands of inquisitive children.

Free Spirited Enterprise

By Janet L. Willen

Before you make your holiday gift selections, consider these novel ideas:



Bottom's Up

Give a child a T-shirt, and you can't go wrong. Give a First French or First Spanish bilingual shirt from Sarut Inc., of New York, and the child may learn something, too.

All a child has to do is put on a shirt, look down, and read. tion, call 1-800-345-6404.

To Market, To Market

"Piggy Banks To Money Markets" is a video for kids who don't know what to do with their money.

Produced by Kidvidz, of Newton, Mass., the 30-minute video uses songs, computer graphics, and children to explain earning, saving, investing, and spending money. The video explores topics as close to home as what an allowance is for and as sophisticated as how the stock market works.

The video is for children ages 5 to 12. It costs \$14.95 plus a shipping and handling fee of \$5. An eight-page parwater retrievers are sure to like Scan-Trak 18, a golf-ball locator from Lil' Orbits, of Minnea-

polis.

The unit contains a ROM (read-only memory) card that can latch on to the molecular structure of golf balls.

To find your lost ball—or someone else's—you walk with the unit at your side and the antenna extended and parallel to the ground. When you pass a ball, the antenna will swing in its direction.

The manufacturer says the device detects balls in the rough, behind shrubbery, and even in water. Lil' Orbits recommends using ScanTrak sent. The company will order your customized cake from a bakery near its destination, and the bakery will deliver to the recipient's door.

Cakes Across America



works with more than 29,000 independent bakers. Orders typically range from a sheet cake that serves 80 to a two-layer cake serving 12.

Prices vary with the cake and location, but most cost about \$35.

For more information, call 1-800-422-5387.

News From The Swamp

Q: Who said, "Deck us all with Boston Charlie, Walla Walla, Wash., and Kalamazoo"?

If your answer is "Huh?" this item may not be for you.

If you know it as the Pogo Christmas song, read on.

Pogo Christmas cards, from The Entertainment Art Co., of Stamford, Conn., feature a panel from Walt Kelly's Pogo comic strip with the beloved opossum and his friends from the Okefenokee Swamp singing the first

two verses of his Christmas tune. A box of 10 cards costs \$11.50. Quantity discounts are available.

For more of Pogo, you can subscribe to the

free newsletter Pogo is Back!
For news of other comics, the
company publishes its Sunday
Comics Store catalog. Call 1800-243-8962

ents' tip book is also available. Call 1-800-421-0892.

One Day At A Time

Avenida Del Sol Productions, of Los Angeles, says its 1994 Dis-Appointment Calendar (a curmudgeon's date book) is the perfect gift "for the person who hates everything."

Each page of the date book commemorates an infamous event in history. April 28, for example, is noted as the day in 1937 that Saddam Hussein was born. And, the calendar reminds us, Aug. 3 marks the anniversary of the first U.S. income tax, levied in 1861.

The wire-bound calendar measures 5½ by 8½ inches and costs \$10.95. For more information, call 1-800-444-2524.

Finders Keepers

Golfers who won't play without where and when you want it

within 30 yards of your ball so it won't point you to balls on the neighboring green.

ScanTrak weighs 5¹/₄ ounces and measures 6 by 2 by ³/₄ inches with the antenna folded. It runs on the static electricity you generate as you walk. It costs \$89.95 plus \$6 for shipping.

For more information, call 1-800-228-8305.

From Coast To Coast

Giving a freshly baked cake to

a friend is as American as apple pie. Cakes Across America, of Orlando, Fla., upholds the tradition by delivering just-baked

cakes anywhere in the continental U.S.

Tell Cakes Across America the kind of cake you want and where and when you want it

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so you can read it and wear it
at the same time.

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decorate each shirt: the Eiffel
Tower for First French, and
flags of five Spanish-speaking
countries for First Spanish.

Each shirt lists more than 50

If your Français or Español needs work, Sarut also makes adult-size T-shirts in French, Spanish, and nine other languages.

The children's shirts cost \$17.50 with shipping; adult shirts cost \$20. Various other upside-down T-shirts are also available. For more informa-

It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

PURCHASING

Finding Bargains At Auctions

While others are out shopping in the malls this season, a hardy band of bargain hunters is hitting the local auctions.

"Auction houses often bring in new things for the holidays," says Sandra Quinn-Musgrove, author of Auctions For Amateurs (Blue House Press). "And you can get decorations, hand-carved Santas, dolls, quilts, and costume jewelry for around half price," if you know what you're doing.

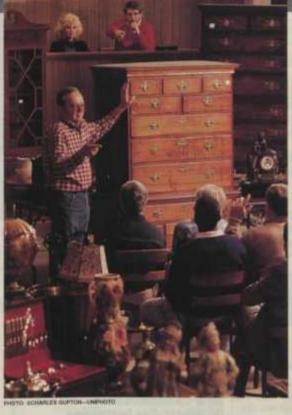
Some people are put off by auctions. Perhaps you have seen the TV commercial in which a harried husband waves to his wife at an auction and inadvertently bids for and buys a huge statue that conveniently fits into the sponsor's shiny, new station wagon.

"All the secret looks, finger waggling, and unintelligible language people think goes on at auctions is mostly rubbish because most auctioneers talk in straightforward language and there's no mystery to the bidding," Quinn-Musgrove says.

If you can get up the gumption to start working the auctions, what's the drill?

The first time, "go to an auction with no intention of bidding on anything," says Thomas Weschler, senior vice president of Weschler's Auctioneers and Appraisers, in Washington, D.C.

"When you're there," Quinn-Musgrove says, "look over all the items on display,



Auction veterans warn first-timers to be disciplined in their bidding. Stick to price limits you can afford.

calculate a price you can afford, and make some mental bids."

The next time, when you are planning

to buy, select items on display that you feel might make excellent decorations or presents for specific people. "You've got to know each person who will be getting the gift," Quinn-Musgrove says. "You don't just bid on items, hoping someone might like them."

Undisciplined bidding can be a real problem for firsttimers. "You've got to avoid auction fever," Quinn-Musgrove warns. It's like a gambling high, and it can cost you. Set prices at what you can afford, and stick with them.

More often than not your price limit will win, even over what professional dealers are bidding. "You can usually go higher than dealers because they have to mark up items 75 to 100 percent," Weschler says.

You can pick up auction locations, times, and dates by checking the Yellow Pages under auctioneers or auction houses. Newspaper classified ads may also have some listings.

For more information on the book, Auctions For Amateurs, call 1-800-888-

INVESTING

Understand The Risks Of Tax-Free Bonds

Is this the time to buy tax-free municipal bonds or bond funds? Maybe so, because under the new tax law, middle- and upper-income investors will have to pay more to Uncle Sam.

Unfortunately, too many investors are putting money into tax-free municipal bonds without knowing all of the risks involved. According to a survey done by

8

Peter Weaver is a Washington-based columnist on personal finance.

the Municipal Bond Investors Assurance Corp. (MBIAC), seven out of 10 investors said they didn't know enough about the municipal-bond market to make an informed investment decision.

And yet many are investing in tax-free municipal bonds and bond funds hoping to dodge the "Clinton tax bite."

"There's a lot of hype out there on these bonds," says Barbara Warner, a financial planner with the Windsor Financial Group in Bethesda, Md.

Sure, the bonds are tax-free. Depending on your tax bracket, you may very well be in a position to garner more income than you would from a taxable bond or a bond fund.

But "a lot of people don't understand what 'total return' means," according to Warner. If interest rates go up, the price of your bond or fund goes down, so your investment will be worth less. If you are primarily interested in getting tax-free income and don't care about what happens to market prices, you should limit your investment to short-term maturities (two to three years).

Some people will pay close to 40 cents on the dollar in taxes, but you have to be earning more than \$250,000 to pay this top rate.

Also, some investors are paying a "load" or commission of as much as 4.5 percent on bond funds, and this can erode most, if not all, of the tax advantage.

Investors are sometimes confused about municipal-bond insurance.

If the bond issuer defaults, your investment is insured. If the price of the bond drops because the market responds to rising interest rates, your loss is not insured.

TRAVEL

How Nonrefundable Are Airline Tickets?

Your plans change. You can't get away from work the day you're supposed to

depart on a holiday trip.

If you have a ticket purchased under a special, low-priced airline fare, you won't be able to get your money back. But you can use the ticket on another date, provided that you pay a penalty, use the same routing, and adhere to the specialfare conditions (Saturday night stay-over or departure on specific days of the week, for example).

"Even if you comply with all this," says Randy Petersen, publisher of Inside Flyer magazine, "you can only change your ticket if there is a seat available for your special-fare class, even though other [open-fare] seats are available on the

aircraft."

Petersen advises making good use of your travel agent to run interference for you. Through contacts, says Cynthia Newman, of Waters Travel, in Washington, D.C., a travel agent is able to get seats when there don't seem to be any.

Elite-level frequent fliers may also be able to get seats on a plane that is

officially sold out.

When Your Luggage Takes **An Unexpected Detour**

You're visiting your family for the holidays, or maybe you're taking that promised vacation in the sun or snow. You get

there, but your luggage doesn't.

"If your baggage doesn't show up, or shows up damaged, you should fill out the papers and file your claim with the airline right away," says Gere Whitener, a spokeswoman for the International Airline Passenger Association. Most airlines have two- to four-hour limits for making claims. "Never leave the airport before you file your claim," Whitener says. "And be sure to get the name of the attending agent."

Filing a claim with the airline is one thing; being paid a fair amount for lost or damaged items is something else. "Go ahead and file your report with the airline, but then immediately call your homeowners' insurance company," says Sean Mooney, spokesman for the Insurance Information Institute.

Your policy may cover the replacement value of your belongings instead of the depreciated value used by the airlines. Your insurance company pays your claim. minus the deductible, then goes after the

airline to get back the deductible. Airlines have a \$1,250 ceiling on what they will pay, but your insurance coverage may well top this.

The American Express Baggage Delay and Loss Protection Plan pays up to \$500 on top of what the airlines pay.

The Amex plan pays for lost, damaged,

or delayed baggage, including carry-on luggage (which the airlines don't cover and which may disappear at any point on your trip, on the airplane, in the airport, or in a taxi, bus, limo, or hotel).

If your baggage is delayed six hours or more, you can get up to \$200 under the offer cardholders collision-damage-waiver coverage for certain four-wheel-drive vehicles but do cover for certain vans. Other issuers do include four-wheel-drive rentals.

If your credit card includes collisiondamage-waiver coverage, your own insurance still picks up the bulk of the damage



On most airlines, passengers have only two to four hours to make claims for lost or damaged luggage. But your homeowners' insurance may cover replacement value.

Amex plan to make emergency replacement purchases. The cost per trip is \$5.75. Some airlines let you buy a limited amount of emergency items, but you have to be assertive. It's usually up to an agent at the airport.

How To Make Sense Of Rental-Car Insurance

When renting a car, consider three sources of insurance: your own auto coverage, the rental car company's, and coverage offered by some issuers of credit cards.

Most, but not all, personal coverage includes rental cars. You might, however, run into some restrictions. For example, some insurers, such as State Farm, are pulling back coverage in some states for customers who rent cars or vans on business trips.

"We realize there are going to be a lot of gray areas with this change of rules," says Chris Stalles, a State Farm underwriting supervisor in Frederick, Md. One useful indicator, according to Stailes, "is whether it was taken as a business deduction on your income tax return."

If you have adequate personal insurance, you probably don't need to sign up for the rental-car company's coverage. But there may be some special circumstances in which you might need it. For example, some insurers may not cover rental of four-wheel-drive vehicles, trucks, or certain vans.

Some issuers of credit cards, such as Citibank Gold Visa and MasterCard, don't claim. The card issuer picks up the deductible.

Before you reserve a rental car, it might be a good idea to find out what coverage you have, don't have, with whom, and under what conditions.

HOME ECONOMICS

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The U.S. Postal Service has the best price. For example, you can buy a \$200 money order for 75 cents and pay \$9.95 to send it Express Mail. It will arrive the next day.

Brokerage firms probably have the fastest cash delivery. If you have a margin or money-service account (stocks and cash), you can have money sent by wire directly to the student's bank account, same-day delivery, if ordered before noon, or early next-day delivery, if ordered after noon. The fee is about \$15.

You can phone in your MasterCard or Visa number to Western Union and have cash sent the same day. The cost for sending \$200 is \$22.

With an American Express Money-Gram, you can wire up to \$200 anywhere in the country for \$12, which includes a free, three-minute phone call.

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Where I Stand



ON PAPERWORK

Results of this poll on paperwork will be sent to congressional leaders and the administration.

Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

The Paperwork Reduction Act was in effect from 1980 to 1989. What happened to your company's federally required paperwork over that period?

- 1. Decreased
- 2. Increased
- 3. No change

4

Should Congress require that an assessment of the paperwork implications accompany all legislation?

- 1. Yes
- 2. No
- 3. No opinion

Do you believe that Congress and the administration are aware of the cumulative impact of federal paperwork requirements on businesses?

- 1. Yes
- 2. No
- 3. No opinion



Pending legislation would reinstate in stronger form the Paperwork Reduction Act that expired in 1989. Should this legislation be passed?

- 1. Yes
- 2. No
- 3. No opinion

To what extent does meeting federal paperwork requirements divert resources from direct business activities of your company?

- 1. Substantially
- 2. Moderately
- 3. Not at all

Send Your Response Today!

Readers' Views On Business Ethics

majority of respondents to a Nation's Business poll said they believe that unethical behavior and illegal conduct in business have increased in recent years. However, a majority also said companies themselves, not governments, can best combat such conduct in business, according to the October Where I Stand poll on business ethics.

Forty-nine percent said the most effective deterrent to unethical behavior is effective leadership by executives, while only 7 percent said government regulations and controls would be the most effective. Twenty-six percent backed market forces and economic consequences as the best check on unethical conduct, and 18 percent chose voluntary compliance and self-policing by business.

A majority of the respondents said their firms have a code of ethics or conduct, and most also said that ethical behavior and integrity are important to financial success.

Here are the complete results of the poll:

BUSINESS FTHICS

- How do you believe unethical conduct and illegal behavior in business have changed in recent years?
- · Which is the most effective deterrent to unethical or illegal behavior by businesses?
 - 1. Market forces 2. Government regu
 - lation and controls 7% 3. Voluntary compliance and self-policing by

and economic

consequences

1. Increased

2. Decreased

3. Stayed about

the same

60%

11%

29%

26%

- 18% business 4. Effective leadership by executives 49%
- Do you think business's efforts to police itself and comply with laws can stem additional federal regulation and oversight?
- 48% 32% 2. No 20% 3. Undecided
- Does your company have a code of ethics or conduct stating corporate values and providing guidance for employees?
- 61% 1. Yes 28% 2. No 3. My company is considering or 11% developing one
- To what degree is ethical behavior and integrity within your company important to its financial success?
- 1. Very important 86% 2. Somewhat 11% important 3. Of little importance 4. Of no importance
- Do you think ethical behavior by your company is recognized by your customers/clients?
- 92% 1. Yes 4% 2. No 4% 3. Undecided



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For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

DEDUCTIONS

Some Tax Breaks Arrived With The New Budget Law

The Omnibus Budget Reconciliation Act of 1993, the major budget bill signed by President Clinton in August, raises tax rates for higher-income individuals, including shareholders in S corporations, partners, and sole proprietors. But it also offers some refund possibilities.

The new law established a 36 percent marginal rate on taxable income above \$140,000 for married individuals filing jointly and above \$115,000 for single individuals.

maryamus.

For taxable income over \$250,000, the

rate is 39.6 percent.

Because Congress made the new rates retroactive to Jan. 1, 1993, many business owners and individuals will owe more taxes next April than they had planned. The retroactive application of the rates and certain other provisions provide for some tax breaks, however.

The new law allows the additional tax resulting from the increased rates to be paid in three installments—on April 15 in 1994, 1995, and 1996—without penalty or

interest charges.

There are other retroactive changes in the law that allow taxpayers to obtain refunds on their 1992 returns even though they may have more to pay on their 1993 returns.

For example, the new law reinstates a provision that expired June 30, 1992, allowing self-employed workers to deduct 25 percent of their health-insurance premiums. Self-employed taxpayers who did not deduct premiums paid after June 30, 1992, will be entitled to a refund on their 1992 returns, as mentioned in this column in October.

In addition, Congress repealed the luxury taxes on sales of certain sirplanes, boats, furs, and jewelry retroactive to Jan. 1, 1993.

The luxury taxes were imposed on the sale of airplanes costing more than



Tax lawyer Albert B.
Ellentuck is a partner
in the Washington law
firm of Colton and
Boykin. Readers
should see tax and
legal advisers on
specific cases.



If you bought a boat for more than \$100,000 this year before the budget law was signed in August, you paid a luxury tax. For a refund, find the receipt and contact the seller.

\$250,000, boats priced over \$100,000, and furs and jewelry valued over \$10,000.

If you bought any of these items during 1993 and paid the luxury tax, you are entitled to a refund from the seller. The seller will be able to obtain a refund from the IRS by filing Form 843, Claim for Refund and Request for Abatement, and showing that it paid a refund to the customer, or that the customer agrees to wait for the refund until the seller receives it from the IRS.

Also, individuals who gave property to charities after July 1, 1992, may have treated the excess value of the property over its tax basis as a tax preference in computing their 1992 alternative minimum tax. This was because the provision exempting such gifts from the alternative minimum tax expired June 30, 1992.

The new law reinstates that exemption retroactively. Anyone who calculated the alternative minimum tax in this fashion and paid additional alternative minimum tax is entitled to a 1992 refund.

Many companies also provide employees with educational assistance. The new law reinstates a rule allowing taxpayers to exclude from their income as much as \$5,250 of educational benefits retroactive to July 1, 1992. As a result, many individuals are eligible for refunds of income taxes as well as Social Security and Medicare taxes on those benefits for 1992. Employees who are entitled to refunds of income taxes paid on educational assistance benefits for 1992 should file Form 1040X, the Amended U.S. Individual Income Tax Return. To file this form, the employee needs to obtain from the employer Form W-2c, the Statement of Corrected Income and Tax Amounts.

Employers can report adjustments in both the employer and employee portions of Social Security and Medicare taxes by filing Form 941, the Employer's Quarterly Federal Tax Return, and Form 941c, the Supporting Statement to Correct Information.

Taxpayers may be eligible for state income tax refunds in states that base their tax on the taxpayer's federal income tax return. In such states, the retroactive federal changes discussed above may also apply to such state taxes, meaning state refunds may also be available.

It wouldn't be a bad idea to ask your accountant to apply for the IRS refunds now, in advance of the busy tax season. If the application is made quickly, you may receive the refunds before you have to pay your 1993 taxes.

And while you are getting your tax information together, set aside receipts for purchases of luxury items affected by the new tax law so you can contact the sellers to request refunds of the luxury taxes you paid.

Editorial

When Local Means National

With untypical speed, the Senate took up an anti-crime bill, more than doubled the funding level, and passed the measure overwhelmingly.

The \$22.3 billion approved would finance the addition of 100,000 officers to state and local law-enforcement agencies, build prisons and other penal facilities, and finance other

anti-crime initiatives.

The timing was significant. The vote came two days after off-year state and local elections that spotlighted crime as one of the top issues of growing concern

among voters.

While all politics might be local, according to the famous dictum of former House Speaker Thomas P. "Tip" O'Neill, the crime-bill vote showed that political currents generated in local elections can reach even such remote places as Washington, D.C.—and do so quickly.

The results of the Nov. 2 election will resonate in Washington in other ways. Along with crime, strong concern about taxes and an equally strong desire for change were principal considerations in voters' decisions.

Those sentiments are already beginning to set the tone for next year's congressional elections, and some political analysts even see the outlines of

the 1996 presidential campaign beginning to emerge.

The continuing power of taxes as a critical political issue was particularly evident in New Jersey. Incumbent Gov. James Florio was denied re-election after a campaign centering on a record tax increase imposed at his bidding and the tax-cut pledge of his victorious opponent, Republican Christine Todd Whitman.

Texas voters took into their own hands the power to decide whether an income tax should ever be imposed. As a result of a measure that gained landslide approval, no such tax can be implemented without approval of the electorate.

In Virginia, Republican George Allen won an

overwhelming victory after pledging to deny parole to violent criminals and to veto any legislative efforts to raise sales or income taxes. In New York City, where Democrats outnumber Republicans 5 to 1, a former federal prosecutor with a strong law-and-order image became the city's first GOP mayor-elect in 20 years.

Washington state voters approved a provision for life imprisonment without parole for criminals convicted of a third felony, a provision that the U.S. Senate quickly added to the pending federal crime bill.

The power of the crime issue was dramatically evident in California, the birthplace of the tax revolt, when voters agreed to retain a sales-tax increase dedicated to public safety. Of four bond issues, Texans approved only the

one providing \$1 billion to build prisons. The action involves the possibility of higher taxes not only to pay off the bonds but also to operate the

institutions.

In addition to the changes manifest in the election results—winners in Virginia, New Jersey, and New York City all beat candidates of the incumbent party—voters indicated their displeasure with the political status quo in other ways.

Term limits were imposed on elected state officials in Maine and city officials in New York, adding impetus to a growing national

movement.

A state constitutional amendment approved in New Jersey will enable voters to recall their elected officials at all levels of government after one year.

A recall vote must be scheduled if 25 percent of registered

voters sign a petition to that effect.

In San Francisco, long a bastion of benevolent liberalism, voters endorsed anti-fraud moves aimed at welfare recipients.

The overall results of the 1993 elections obviously do not constitute a broad referendum on major national issues, but they do provide enough substance to give national lawmakers both a warning and an opportunity.

Voters want tax and spending restraint. They want forceful action against crime, and they want more accountability from their elected officials.



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THE ELECTIONS



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SUPPLEMENT TO Mation/electronic DECEMBER 1993



President Clinton addresses a satellite town meeting on the North American Free Trade Agreement at the U.S. Chamber in Washington.

NAFTA Blitz

Chamber Takes Fight Down To The Wire

Page 96

Infrastructure

Transportation Group Starts Work

The U.S. Chamber of Commerce has established a task force to develop innovative solutions to problems of the nation's transportation infrastructure.

The review by the panel of Chamber members representing transportation users and providers will cover America's highways, airports, railroads, waterways, ports, and transportationrelated public works.

The task force will recommend to the Chamber's board of directors "sound industry positions" to improve these

According to Bob Parija, associate manager for transportation policy at the Chamber, specific issues the task force will consider include:

The need to educate the public and policy-makers about the link between sound transportation investments and productivity in the economy.

■ The need for federal agencies to conduct cost-benefit analyses on proposed regulations and other federal actions that affect the infrastructure and the interaction among different modes



U.S. Transportation Secretary Frederico Peña praised the U.S. Chamber for establishing a transportation-infrastructure task force to recommend solutions to the nation's transportation problems.

of transportation.

■ Ways to prohibit the federal government from using surpluses in the highway and airport trust funds to obscure the actual size of the federal budget deficit.

■ The need to fund completely the 1991 Intermodal Surface Transportation

Efficiency Act, which called for \$155 billion over a six-year period for highway and masstransit initiatives, and to make other capital investments in the infrastructure.

U.S. Transportation Secretary Frederico Peña, who addressed the task force at its initial meeting in late October at Chamber, welcomed

the Chamber's stepped-up involvement in the infrastructure-transportation de-

Peña said the Clinton administration is committed to revitalizing the country's infrastructure but that revitalization cannot occur without a partnership between the public and private sectors.

The federal government does not "have all the resources to address all the [infrastructure] problems," said Pena, who suggested that "innovative solutions," such as private toll roads, are needed as well.

The secretary pledged to focus on establishing an intermodal system that works efficiently and on encouraging new U.S. transportation technologies. He also said he is committed to implementation of a National Highway System bill, the plans for which are expected to be submitted to Congress in mid-December.

Congress would then have two years to implement the measure, which would deal primarily with maintaining and improving a 155,000-mile nationwide system of roads that have been identified as vital to the economy.

Like the Chamber task force members. Peña said he would like to use the taxes collected for the highway and airport trust funds for their stated purposes, not for deficit reduction.



Transportation Secretary Peña (left) talks with Jeffrey Joseph, Chamber vice president for domestic policy (center), and task force member Roy Hunt.

Workers' Comp

AU.S. Chamber of Commerce survey documents the growing trend of state crackdowns on workers' compensation fraud.

In its Annual Supplement to the 1993 Analysis of Workers' Compensation Laws, the Chamber reports that at least 16 states have this year increased the penalties for false claims.

Both the 1993 Analysis of Workers'

Compensation Laws (publication No. 0338) and the recently published supplement (No. 0339) are available by calling 1-800-638-6582 (1-800-352-1450 in Maryland) weekdays between 9 a.m. and 4:30 p.m.

The analysis costs \$15 and the supplement \$7 for Chamber members. Orders of less than \$10 must be paid for with a check or money order. Larger orders can be paid for with an American Express, MasterCard, or Visa charge card.

Legislation

Chamber Presses Health-Care Issues

The U.S. Chamber of Commerce is working to help shape a healthcare-reform bill that includes elements from several major proposals pending on Capitol Hill.

Since President Clinton outlined his health-reform plan to a joint session of Congress on Sept. 22, Chamber representatives have testified before House and Senate panels, noting elements of the Clinton plan that the organization supports and those that it opposes. The Chamber also said that it supported elements of other major pending proposals.

(See the comparison of major plans and the Chamber's position relative to

them on Pages 92 and 93.)

In testimony Oct. 7 before the Health Subcommittee of the House Ways and Means Committee, William T. Archey, the U.S. Chamber's senior vice president for policy and congressional affairs, said "the Chamber supports the need for universal coverage and recognizes that it can only be a reality and be paid for through shared responsibility of employers, employees, and government." This principle "is reflected in the Clinton plan," he said.

In addition, Archey continued, "we are in favor of a system that achieves affordable health-insurance coverage by building on the strong current base of employer-provided health benefits," which the Clinton plan would do.

Nonetheless, Archey said, the Chamber has "serious concerns" about a number of aspects of the Clinton plan,

including:

■ Establishment of regional health alliances that incorporate most of the population into a monopolistic purchasing structure that would hamper, not help, true competition.

Creation of "a huge new bureaucracy, including a national health board, with excessive powers to regulate, monitor, and ultimately tax employers."

■ Government-specified insurance



premium caps, rather than market forces, to set growth rates of health insurance costs.

■ Savings and revenue assumptions "that could prove to be very unrealistic" as a foundation for funding the president's reform plan.

■ The requirement that employers pay 80 percent of the insurance pre-

mium cost for employees.

In testimony Oct. 15 before a Senate panel, Robert E. Patricelli, chairman of the Chamber's health and employee benefits committee and a member of the Chamber's board of directors, suggested that only companies with 100 or fewer workers be required to join the regional health alliances, with larger firms free to self-insure, purchase coverage on their own, or form private purchasing pools. The president's plan would exempt only companies with 5,000 or more workers from the requirement to join the regional alliances.

Patricelli also told the Senate Labor Continued on Page 92

U.S. Chamber Senior Vice President William T. Archey tells a House panel that the Chamber likes some elements of the president's healthcare plan and dislikes others.



Robert E. Patricelli, right, chairman of the Chamber's employee benefits and health committee, talks with Sen. Edward M. Kennedy, D-Mass., before testifying on health-care reform before the Senate Labor and Human Resources Committee.

■ Health Care

Chamber Urges Combination Of Elements



Rep. Jim Cooper, D-Tenn., discusses his health-care reform plan with the U.S. Chamber's tax-policy committee. To the right is Julie Gackenbach, director of the Chamber's tax-policy center.

Continued from Page 91

and Human Resources Committee that the Chamber opposes any health insurance requirement that does not include adequate subsidies for low-wage work-

ers and their employers.

"We think this is an area where the administration listened to us," he added. The Clinton plan includes an expenditure cap as a percentage of payroll for small businesses and an individual subsidy for the poor. "These provisions would help make insurance affordable," said Patricelli.

Like Archey, Patricelli noted that "the president's health-care plan is one of several proposals that deserve serious consideration." He cited, for example, proposals offered by Rep. Jim Cooper, D-Tenn., and Sen. John H. Chafee, R-R.I. "Both are valuable additions to the debate."

The Chamber expects to continue to play a key role in shaping a health-reform plan that both meets its concerns and can win a consensus in Congress.

There is general agreement in the business community that continuation of the present system is no longer an option.

(See the results of the Business Ballot poll on this subject on Page 104.)

Compariso

CRITERIA

- Basic approach
- Coverage
- Individual mandate to participate
- Employer mandate to participate
- Small-business subsidy
- Malpractice/medical liability reform
- Medical IRA provision
- Tax cap
- 100% deduction for self-employed
- Benefit package
- Pooled purchasing—structure
- Pooled purchasing—size of companies that must participate

CLINTON

Managed competition with regulatory oversight

Universal

Yes

Make health insurance available to workers and pay 80% of weighted average premium

Caps on premium expenditure for companies with 75 or fewer employees, with caps tied to average wage

Yes, but not extensive

No

Individual

Yes

Specified in bill, can be modified by health-care board and states

Regional state-run purchasing cooperatives ("alliances")

Under 5,000 employees, with employers of 5,000+ encouraged to join pool

Glossary On Health-Care Reform

Universal Coverage: Enrollment of all Americans in health insurance.

Individual Mandate: Requirement that individuals assume responsibility for securing their own insurance.

Employer Mandate: Requirement that all employers offer and pay for a portion of their workers' health coverage.

Medical IRA: A special medical savings account in which individuals would deposit money for future out-ofpocket health-care expenses. They would make contributions to the account on a pre-tax basis, up to specified amounts.

Tax Cap: For employers, the tax cap is the benefit level at which they can no longer deduct as a business expense the cost of health insurance in determining taxable income. No deduction can be taken on the portion or value of benefits that

n Of Major Health Plans

COOPER **HOUSE REPUBLICANS** CHAFEE **U.S. CHAMBER** (H.R. 3222) (H.R. 3080) POSITION Managed competition Managed competition Incremental reform Managed competition Universal Expanded on voluntary Expanded on voluntary Universal basis No Yes No Yes Make health insurance Make health insurance Make health insurance Shared responsibility available only available only available only among employers. employees, individuals, and government No No No Caps on premium expenditure for low-wage workers and their employers Yes Yes Yes Yes Health-care commission Employee option to Employee option to No to consider as possible participate participate addition to benefit package Employer Employer and individual None Individual Yes, for anyone paying for Yes, for anyone paying for Yes Yes coverage, up to cap coverage, up to cap Specified in bill Established by national Broad service categories Supports concept of stanonly specified in bill board dard benefits package, with significant patient cost sharing Purchasing cooperatives Purchasing cooperatives Purchasing cooperatives Purchasing cooperatives run by member companies run by member companies run by member companies run by member companies Limited to businesses with Not specified in bill, but Limited to businesses with Limited to employers of 100 under 100 employees, but under 100 employees participation would be employees or fewer states have the option to voluntary increase the size limit

exceeds the specified level. For individuals, the tax cap is the benefit level beyond which any amounts would be treated as income to the employee. Beyond this specified level, individuals would be subject to income and payroll taxes, and employers would be liable for their share of payroll taxes.

Benefits Package: Most proposals call for a "core benefits package," which consists of a basic level of benefits to be covered by health insurance and to which everyone would be entitled. The number and type of benefits included vary from proposal to proposal.

Pooled Purchasing: Businesses and individuals banding together into groups for the purpose of gaining a better ability to spread risk and gaining greater market leverage when purchasing health insurance.

Small-Group Market Reform: Changing the practices of insurance companies in selling health insurance to small businesses and individuals. The purpose is to eliminate competition among health-insurance companies based on the selection of low-risk customers.

Reforms can include eliminating insurance companies' ability to deny health insurance or charge higher premiums based on pre-existing conditions, requiring insurers to accept all who wish to enroll for coverage and guarantee their ability to renew that coverage, and providing information to consumers about cost, quality, and outcomes of health plans.

94 DECEMBER 1993

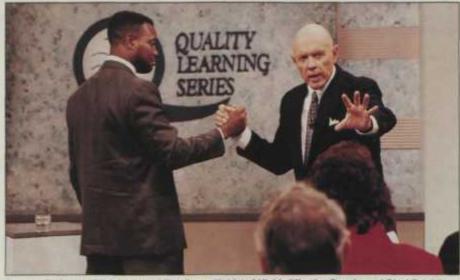
By Satellite

New Management Seminar Series Set

The U.S. Chamber of Commerce will kick off a new series of quality-management seminars by satellite Feb. 24.

Produced by the organization's Quality Learning Services Division, the series will include seven seminars featuring experts in quality, leadership, and organizational change. The schedule, topics, and presenters are:

- Feb. 24—"Global Paradox," John Naisbitt, author of Megatrends, a best seller published by Warner Books.
- March 1—"Rapid Learning—Rapid Improvement," Brian Joiner, president, Joiner Associates, a quality-management consulting firm based in Madison, Wis.
- March 8—"Personal Total Quality Management," A. Roger Merrill, vice president, senior development group, Covey Leadership Center, a consulting firm based in Provo, Utah.
- April 5—"Beyond Principle-Centered Leadership," Stephen R. Covey, founder and chairman of the Covey Leadership Center and author of the best-selling The Seven Habits of Highly Effective People and Principle-Centered Leadership (both published by Simon & Schuster).
- Quality—The Deming Philosophy," Clare Crawford-Mason and Lloyd Dobyns, authors of Quality or Else (Houghton Mifflin).



Stephen R. Covey, right, author of The Seven Habits of Highly Effective People, and Ricci Patrick, administrative officer for the Federal Quality Institute, demonstrate a point at a recent quality-management seminar broadcast from the U.S. Chamber of Commerce.

- May 17—"Building a Customer-Focused, Quality-Based Organization," Jim Belasco, author of Flight of the Buffalo (Warner Books) and Teaching the Elephant to Dance (Crown Publishers Inc.).
- May 24—"Quality at the Crossroads," Howland Blackiston, president, Juran Institute, an international TQM consulting and training firm based in Wilton, Conn.

All seminars air from 1 to 3 p.m. Eastern time. The cost of sponsoring a viewing of a seminar is \$795; the price is \$675 per seminar if the entire series is carried.

The three remaining programs in the current fall series will air Dec. 1, 8, and 16. All three feature Peter Scholtes, a senior management consultant with Joiner Associates.

Registrations for the fall 1993 satellite seminar series surpassed the Chamber's goal—midway through the series—of 146 hosts, the sponsors who have purchased the right to downlink the live programs for viewing by their employees or by members of local communities.

The primary audience of the seminars has been local chambers of commerce. This year, however, the Chamber reached out to other markets, including businesses conducting internal training, local quality groups, notfor-profit satellite organizations, and military, government, and educational institutions.

For the fall series, 43 percent of the sponsors were local chambers; 31 percent, colleges and universities; 11 percent, businesses; 9 percent, government entities; 3 percent, quality councils; and 3 percent, nonprofits.

The 10 fall programs are available separately on videotape for \$95 each to U.S. Chamber members. To order tapes or inquire about the remaining December seminars or the 1994 series, call the Chamber's Quality Learning Services Division at 1-800-835-4730.

■ Briefing Center

Want To Get More Involved?

The U.S. Chamber of Commerce's briefing center is ready to help small and large member companies become involved in legislative and regulatory issues of concern to business.

Group briefings at the Chamber's Washington headquarters are customized to address the issues important to participants. The briefings are conducted by public-policy, government-relations, and communications specialists on the Chamber's staff.

Large member companies visiting Washington to meet with their congressional delegations have used the briefing center's services for years. But the Chamber is encouraging greater use of the center by local and state chambers of commerce and industry associations when they organize Washington visits by small-business activists.

"The tremendous acceptance of the Chamber's new Grassroots Action Information Network (GAIN) emphasized the significant degree to which our small-business owners want to be involved in the legislative process. We view our briefings as another way to help them participate," says Joanne Healy, the briefing center's manager.

To learn more about how you can participate, call Healy at (202) 463-5416.

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■ Trade Action

Town Meeting Caps NAFTA Drive

The U.S. Chamber of Commerce conducted one of the most extensive grass-roots communications and lobbying blitzes in its history in support of the North American Free Trade Agreement (NAFTA) during the weeks leading up to the critical House vote on the agreement.

The highlight of the Chamber's campaign was a national satellite town meeting featuring President Clinton on Nov. 1 at the Chamber's headquarters

in Washington.

Participants also included Govs. Jim Edgar of Illinois, William F. Weld of Massachusetts, and Pete Wilson of California and Deputy U.S. Trade

U.S. Chamber President Richard L.
Lesher greets President Clinton before a
satellite town meeting on NAFTA at the
Chamber. In the center is Kenneth W. Cole
of Allied-Signal Corp., and at the right
is Alexis Herman, an aide to Clinton.
Below, Clinton is flanked on stage,
by small-business owners who wanted to
demonstrate their support for NAFTA.





Representative Rufus Yerxa. Participating from the business community were 1993-94 U.S. Chamber Chairman Ivan W. Gorr, Chamber President Richard L. Lesher, Chamber Vice President/International Willard A. Workman, USA for NAFTA head Larry Bossidy, and about 300 owners and executives from companies nationwide.

The town meeting was broadcast live

to business people at more than 600 satellite-downlink sites in 250 cities in 47 states.

Clinton thanked the Chamber "for organizing the event and providing the technology that makes it possible." He urged business viewers "to do all you can" to secure congressional approval of NAFTA.

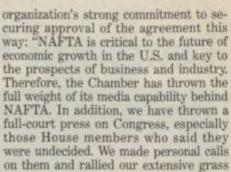
The Chamber's Lesher explained his



DECEMBER 1993



Stacey A. Shepard of AAI Corp., left, questions President Clinton, With the microphone is Meryl Comer. Chamber vice president for communications development and moderator of the satellite town meeting. Below, Clinton addresses approximately 300 business owners and executives at the Chamber and countless others at more than 600 satellite-downlink sites in 250 cities in 47 states.



roots to communicate with them as well."

If approved by the House and the Senate. NAFTA would phase out tariffs and other barriers to trade among Canada, the U.S., and Mexico beginning Jan. 1. The House vote, to be followed by a Senate vote, was set for mid-November.

NAFTA supporters note that the pact will make it much easier for small U.S. firms to do business in Mexico, which is already America's

third-largest and fastest-growing export market. The administration estimates that NAFTA would create more than 200,000 jobs for Americans by 1995.

In addition to the town meeting, Chamber activities leading up to the House vote on NAFTA included:

■ Pro-NAFTA meetings in the districts of key representatives.

 A U.S. speaking tour conducted by NAFTA experts on the Chamber staff.

An action call to more than 35,000 Chamber members in 154 key congressional districts.

Creation of an "action team" of more than 11,000 Chamber members dedicated to generating support for NAFTA in their communities.

Distribution of pro-NAFTA information to weekly newspapers nation-

■ Repeated calls urging business people to become active on NAFTA in the

Extensive lobbying and repeated

See related story on Page 103

Chamber's media. testimony on Capitol Hill. At left, 1993-94 U.S. Chamber Chairman Ivan W. Gorr explains to moderator Meryl Comer and a nationwide audience why the business federation supports NAFTA. Behind Gorr is USA for NAFTA coalition head Larry Bossidy, and at right is Chamber President Lesher.





B DECEMBER 1993

Spending

Lawmaker Pushes Deficit Proposal



Rep. Dan Miller, R-Fla. (center), talks with John H. Ortega, vice president and chief economist, KeyCorp, and a member of the Chamber's economicpolicy committee (right), and Martin Regalia, vice president and chief economist for the Chamber. Miller addressed the economic-policy committee recently about his spending-reduction proposal.

■ Business Ballot

Confidence In Economy Rises

After declining steadily since December 1992, business's confidence in the economy increased slightly in October, according to the latest Business Ballot poll of members of the U.S. Chamber of Commerce.

The Business Confidence Index, as determined by poll respondents' answers to three bimonthly questions on their economic outlook, rose to 46.4 in October from 45.6 in August. The index had been at 62.5 in December but fell to 59.3 by April and dropped sharply to 47.7 in June.

An index of 50 means the number of businesses expecting upswings in their sales, employment, and the general economy over the next six months is equal to the number expecting decreases.

Robert Barr, deputy chief economist for the Chamber, said: "It's worth noting that while confidence about the direction of the economy as a whole increased, confidence about the sales and employment prospects at the respondents' particular firms edged down in October.



"This cautiousness indicates that the recovery will continue to be sluggish. Still, given the more upbeat numbers reported for existing home sales, auto sales, and consumer spending, it's likely that October's figure represents the beginning of a continued upturn in the Business Confidence Index."

In October, 16.5 percent of the nearly 11,000 respondents to the Business Ballot said they expect the economy to improve over the next six months, up from 13.9 percent in the August ballot. And 42.2 percent said they believe the economy is headed down, compared with 48.6 percent in August. Expecting no change were 41.3 percent, up from 37.5 in August.

The drop in confidence Barr referred to showed up in responses to questions on companies' outlook for their own sales and employment over the next six months.

Just 35.8 percent of respondents expect their sales to rise, compared with 36.8 percent in the August poll; 26.2 percent believe sales will be down, and 38 percent expect no change.

Only 16.4 percent expect to add employees, compared with 17 percent in the August survey, while 22.2 percent expect to cut workers, and 61.4 percent believe their work forces will remain stable.

The Business Ballot poll is distributed bimonthly with Nation's Business and The Business Advocate.

Be swre to respond to this month's poll on a balanced-budget amendment to the Constitution.

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■ Victory

Effort Kills Six-Month Layoff Rule

Largely as a result of U.S. Chamber leadership, a measure that would have hampered efforts of companies with defense work to cope with fast-changing markets was struck from legislation approved by the House.

The provision, sponsored by Rep. Patricia Schroeder, D-Colo., would have prohibited many companies with defense contracts or subcontracts from terminating or laying off employees for six months after the workers received written notification of the plan to cut payrolls.

The measure would have applied to firms having contracts of \$500,000 or more and subcontractors with contracts

of \$100,000 or more.

Failure to comply with the provision would have resulted in a company's being suspended or barred from receiving defense contracts.

The measure was included in the House version of the fiscal 1994 defense authorization bill. A conference committee reconciling differences between the

■ 15th Year



Meryl Comer moderates a recent "It's Your Business" show debate on health-care reform among, from right to left, Reps. Joe Barton, R-Texas, Jim McDermott, D-Wash., and Dan Miller, R-Fla., and U.S. Chamber President Richard L. Lesher. The Chamber's flagship television program is going strong in its 15th year, which it kicked off with a new logo and a new set.

House and Senate versions of the legislation deleted it after the Chamber brought pressure on behalf of companies that would have been affected.

In a letter to conferees on the bill, the Chamber said that the guaranteed-employment provision of the amendment would "fly in the face of market realities" and "hurt companies' ability to retool for the future, convert to nondefense markets, and operate efficiently."

The business federation also pointed out that the Worker Adjustment and Retraining Notification Act of 1988 requires employers to notify workers 60 days in advance of layoff or termination. The Chamber said that statute, known as the plant-closing law, provides adequate notice and protection to defense employees.

Striker Strategy



Lonnie Taylor, left, the U.S. Chamber's liaison with the Senate, and Chamber President Richard L. Lesher discuss strategy for defeating striker-replacement legislation with Sen. Nancy L. Kassebaum, R-Kan. Business's strong opposition to the measure appears to have delayed a Senate vote until 1994.

DECEMBER 1963

Legislation

Balanced-Budget Support Called Critical



Martin Regalia, Chamber vice president and chief economist, discusses the Chamber's support for a balanced-budget amendment to the Constitution at a Capitol Hill press conference. With him, from the left, were Sens. Paul Simon, Orrin G. Hatch, and Larry E. Craig.

The support of the U.S. Chamber of Commerce for a constitutional amendment requiring a balanced federal budget could make the difference in whether the 103rd Congress approves such a measure, say senators sponsoring a Senate resolution calling for an amendment.

Sens. Paul Simon, D-Ill., Orrin G. Hatch, R-Utah, and Larry E. Craig, R-Idaho, praised the Chamber for supporting their measure at a recent Capitol Hill press conference.

If approved by two-thirds of the Senate and House, their resolution would be sent to the states for ratification. To change the Constitution, 38 states must ratify the amendment. The resolution includes no time limit for ratification.

Said Craig, "Having the Chamber behind us is critically necessary" to passage in both the Senate and House, where last year similar measures failed by one and nine votes, respectively.

The Senate balanced-budget joint resolution (S.J. Res. 41) had 45 co-sponsors as of early November. It was expected to be approved by the Senate in late November.

The House is expected to consider an identical measure (H.J. Res. 103), sponsored by Rep. Charles W. Stenholm, D. Texas, early next year.

"The Chamber adds great strength to our cause," said Hatch. The toughest balanced-budget amendment previously offered in Congress contained provisions that would require a two-thirds or threefifths vote to raise taxes, thereby making it more difficult to use that route to achieve fiscal balance. But that requirement was an insurmountable stumbling block to approval of the amendment.

"Having the Chamber behind us is critically necessary" to our cause. —Sen. Larry E. Craig

The Simon-Hatch-Craig proposal contains a provision that would make it more difficult than it is now for Congress to raise taxes and has enough support to enable the amendment to win approval.

The amendment would require a constitutional majority—51 votes in the Senate and 218 in the House—to approve tax hikes. Currently, approval of tax increases requires only a majority of the members present and voting.

The Chamber board voted to approve the Simon-Hatch-Craig approach on the recommendation of its tax- and economic-policy committees, which determined that the provision for making it harder to raise taxes would be effective.

The proposal would prohibit Congress from approving spending that exceeds revenues. To pass an unbalanced budget or increase the ceiling on the cumulative federal debt, the amendment would require that three-fifths of each house approve and that members' votes be recorded. The latter provision is significant because much congressional business is transacted by voice votes and no record is kept of how individual members voted.

At the press conference, Chamber Vice President and Chief Economist Martin Regalia said: "The Chamber is convinced that the Simon-Hatch-Craig amendment will place renewed emphasis on the need for fiscal discipline and will constrain the ability of Congress to continue raising taxes."

If you believe a balanced-budget amendment would help control spending, contact your representative and urge approval of H.J. Res. 103, Call (202) 225-3121, or write to your representative, U.S. House of Representatives, Washington, D.C. 20515. If the Senate has not acted on the Simon-Hatch-Craig plan by the time you read this report, contact your senators at (202) 224-3121 and urge their support.

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■ NAFTA

Legal Center Wins In Court

The U.S. Chamber of Commerce's public-policy law firm helped overturn a court decision that could have delayed implementation of the North American Free Trade Agreement (NAFTA) for years.

The National Chamber Litigation Center and several other business and trade groups jointly filed a friend-of-thecourt brief calling for the reversal of a U.S. District Court decision that would have required the preparation of a lengthy environmental-impact statement before the trade pact could take effect.

The U.S. Court of Appeals for the District of Columbia in late September reversed the district court on the ground that the Administrative Procedure Act only allows judicial review of "final agency action."

That was the position argued by the Chamber's legal center and the U.S. trade representative's office. They had maintained that final negotiations on the trade pact do not constitute final action on NAFTA. Rather, they said, the president takes final action on all trade agreements when they are submitted to Congress, and presidential actions are not reviewable under the Administrative Procedure Act.

Regulation

U.S. Chamber Helped Shape Clinton's Regulatory Order

A recent presidential executive order on the federal regulatory process was shaped with significant input from the U.S. Chamber of Commerce.

The Chamber played a leading role on behalf of business in ensuring that the federal regulatory review process outlined in the Sept. 30 executive order would be fair to business.

Watchdog Panel

To help verify the Clinton administration's implementation of its regulatory review order, the U.S. Chamber of Commerce has established a regulatory watchdog committee, an ad hoc panel composed of members of the various Chamber policy committees.

The panel will focus on the day-today oversight of new and existing regulations imposed on business with emphasis on cost-benefit analyses, paperwork reduction, and flexibility for small firms.

It will also target objectionable mandates included in new legislation introduced in Congress. In meetings and correspondence with administration officials, including Vice President Al Gore, the Chamber expressed its concerns about certain aspects of a draft version of the order.

Among them were the role of the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA), the executive-branch agency charged with scrutinizing government rules. The business federation was concerned that OIRA's power to review regulations would be largely usurped by the vice president's office. The final order, however, clarified that OIRA would have the central role.

"For nine months, the U.S. Chamber has been working very hard to bring some common sense to the regulatory process," said Chamber President Richard L. Lesher the day the executive order was signed.

The new regulatory executive order, he said, "affords the public substantial opportunity to comment on the potential impact of proposed regulations." For example, the order calls on agencies to obtain input both from parties who would benefit and from those who would be burdened by rules before the regulations are finalized.

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Litigation



Members' Views

Poll: Link Health-Care Edict, Subsidy

If the federal government requires small firms to provide health insurance to their workers, the government should also help them pay for it, according to the latest Business Ballot poll of members of the U.S. Chamber of Commerce.

Two-thirds—66 percent—of the nearly 11,000 respondents to the October poll said the government should subsidize the cost of health insurance for small firms if they are required to provide it for their employees. Just 23.2 percent said such a subsidy should not be provided, and 10.8 percent were undecided on the issue.

"Any reform proposal that requires participation has to recognize that many low-wage workers and their employers will be unable to pay the full premium costs of health insurance," says Lisa Sprague, manager of health-care policy for the Chamber. "A government subsidy has to be included as part of the package."

President Clinton's health-care proposal, which would require that all employers cover their workers, includes subsidies for companies with 75 or fewer employees. Several other major health-care reform proposals do not provide for a small-business subsidy. (See the chart on Pages 92 and 93.)

The October Business Ballot poll also found that 59.5 percent of respondents believe that "fundamental reform" of the health-care system is necessary; 34.9 percent said it is not necessary; and 5.6 percent were undecided.

On a question related to future trade pacts, 52.1 percent of the Chamber members responding said the U.S. should pursue a free-trade pact with all nations in the Western hemisphere if the North American Free Trade Agreement (NAFTA) among the U.S., Mexico, and Canada is approved. Nearly 22 percent of the respondents said they thought such a pact would be a bad idea, and 26.2 percent were undecided.

affiliated with the Chamber, At left is NCLC Executive Vice President Stephen Bokat; at right is NCLC Vice President Robin Conrad.

A vote on NAFTA was expected in the U.S. House in mid-November, with the Senate vote to follow. The trade agreement would phase out tariff and nontariff barriers among the three signatories.